

# Australian dairy farmers fear sellout to NZ

AUSTRALIAN dairy farmers have reacted strongly to the news that Australia and New Zealand will discuss closer co-operation in international trading.

The president of the Australian Dairy Farmers' Federation, John Bennett, said Australian dairy farmers had no objection in principle to the creation of a "South Pacific Common Market", providing was not achieved at the expense of the Australian dairy industry.

Bennett said Australia's 23,000 dairy farmers were following closely the Australian Prime Minister's advocacy of closer economic ties with New Zealand.

He emphasised that the Australian dairy industry was not in favour of closer ties with New Zealand — "if the Australian domestic dairy market is to be used as a carrot to lure the New Zealanders into a closer relationship."

In a blunt warning to the Australian Government he

said: "The dairy industry does not intend to be the scapegoat in this situation."

The Federal Government had better appreciate that the Australian dairy industry has worked hard putting its house in order over the last few years, and has no intention of being regarded as expendable in international negotiations.

"If there is the slightest hint that the Government intends to sell us out by giving some, or all of our domestic market to the New Zealand dairy industry, to make up for New Zealand's lost markets in Europe, then I can promise the Prime Minister that some Parliamentary heads will roll at the next election."

Bennett said that over the years the Australian Government had already traded away part of the domestic cheese market to the New Zealand dairy industry, and Australian cheese manufacturers were now being faced with price undercutting by New Zealand on the Australian market.



THE AUSTRALIANS

trade — "If you look at the situation which exists at present there is nothing fair or equitable about the way the New Zealanders have eroded the Australian dairy industry's returns on the domestic market." New Zealand, he claimed, has been using pricing as a mechanism of obtaining market penetration, but its cost structures were not much different from Australia's.

The New Zealand dairy farmer however, had two great advantages: their products were subject to "enormous subsidies" compared with their Australian counterparts, and they derived large amounts of money from sales in Europe, which they can offset against the "ridiculously low price products" they send to New Zealand.

The move for closer trade co-operation undoubtedly comes from Australia's manufacturing industry, and

the sharp reaction among

dairy farmers stems in part from a suspicion that they will be sacrificed to enable more Australian manufactured goods to be sold to New Zealand.

Bennett stressed that whereas the New Zealanders were experts in the field of primary production the Australian manufacturing industry was one of most grossly inefficient sectors of the Australian economy — as would soon become apparent if the common market were to enthral countries beyond New Zealand.

No other rural industry in Australia has faced as many difficulties, both at home and

abroad, as the dairy industry in the last two decades.

At the end of 1978 there were 46,000 fewer registered producers in Australia than there were in 1960.

Total milk production fell in the three years by some 1000 million litres, butter production by 40 tonnes and production of skimmed milk powder 77,000 tonnes.

Net average returns for producers are expected to fall in 1978-79, but any time this fragile recovery post Australia-New Zealand negotiations will meet vigorous political opposition from Australia's dairy farmers.

# A nose for business



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Now from Singapore to Bahrain and London three times weekly. It puts supersonic travel within your reach.

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## Inner-city homes sell at premium prices

By Belinda Gillespie

THERE is an increasing demand for established accommodation in the inner-city areas of Australia's State capitals according to the Real Estate Institute of Australia.

The trend is most apparent in Sydney, where a shortage of property has caused housing prices to rise between 20-25 per cent in the last year.

The house-living shortage is particularly acute in the lower price range below \$A80,000.

A spokesman for one of Australia's largest real estate firms said he had never known Sydney to be so short of properties. Houses selling a year ago for \$A60,000, are now fetching between \$A80,000 and \$A85,000, while homes that were sold for \$A90,000 a year ago now sell between \$A125,000 and \$A130,000.

In some areas the percentage increase in price over the last 12 months has been even greater.

Where demand cannot be met at the higher end of the market, houses which would have sold for about \$A120,000 last year are now selling for \$A130,000.

The rising house prices in Australia's eastern State capitals have been attributed by some to a returning confidence in the national economy. But significantly the increasing demand is for established homes.

There appears to be a decline in demand for new homes, at least according to the national president of Australia's Housing Industry Association.

He told delegates at the 14th national housing conference in April that the Australian housing construction industry faced at least 18 months of depressed conditions.

He said high unemployment among young Australians was the basic reason for the decline. Normally the younger age group bought well over 50 per cent of the new homes constructed in Australia.

Even for those employed the fear of unemployment caused them to doubt their capacity to make their mortgage repayments.

Some sections of the Australian media have noted with optimism the increase in building "approvals", but a close analysis shows that the increase has occurred in respect to proposed Government buildings.

The number of "approvals" for the construction of private dwellings in Australia has actually declined, on a seasonally adjusted basis. In addition the Housing Industry Association has reported a marked discrepancy between "approvals" sought for private dwelling construction,

circumstances that the increased costs can be absorbed by the builders, but may not affect the price of new homes and sustain the trend toward purchases of established houses in Australian capital cities.

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It is not the Dairy Board's intention to conflict with the Milk Board. We are both organisations in the same industry. They are responsible for the distribution and marketing of plain milk, in which we have no intention of getting involved," McKinnon said.

With the Dairy Board's plant operating at a maximum daily output of 32,000 litres a day, their product, even if the entire output were flavoured UHT for the home market, is only a small percentage of the current level of Auckland milk sales.

Countering the fears expressed in certain quarters that the board has manoeuvred itself into a strong position to take over the New Zealand market for flavoured milk, McKinnon claims that "the board lacks experience in the skills of consumer marketing — and it's best to learn new skills in the home market."

McKinnon says his division has already acquired a large number of new skills which it couldn't have learnt without the opportunity to study the local situation.

Getting the product right and designing it for the market are also headaches.

Flavoured milk has a different fat percentage from plain, and the flavouring substances added to the milk react differently when subjected to the high temperatures of the UHT process.

Depending on what the board learns from its trials with flavoured milk, it plans to market a range throughout the Pacific, ascending in a scale of complexity from plain to flavoured milk to controlled fat creams, whipping creams and other dairy products.

A comparison of the size of the Auckland milk market and the Dairy Board's UHT output, suggests McKinnon, counters the UEB suggestion that UHT will be a serious threat to a fresh cartoned product.

But the other side could argue that the comparison is a red herring in view of overseas experience that "fun" milk takes a slice out of soft drink sales, not those of white milk.

In Victoria, the introduction of flavoured milk in cartons cut 25 per cent of the soft drink market and generated \$12 million extra in milk sales.

McKinnon would not put a price on flavoured milk, but

it would be what the market would stand at the time the product is launched.

Nor would he give anything away about the considerable amount of market research carried out by the board in the Auckland area, both at the product and consumer level — all valuable for "practising skills and gaining experience in developing products for overseas markets," McKinnon said.

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# PM tries out a new brand of incomes policy

by Colin James

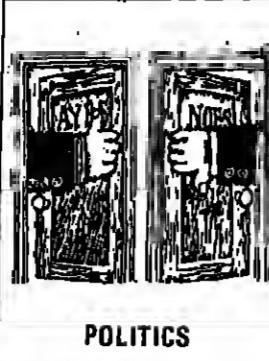
We now seem to have an incomes policy. That is not surprising. Whenever western economies have gone off the rails in recent years, governments have relined wages.

The avenue of political repatriation is marked with the tyre-tracks of U-turns by well-meaning non-interferers.

Perhaps the best example in New Zealand was the 1972-73 Labour Government's conversion in 1973. It took the liberators of 1972 only eight months to realise that freedom is no guarantee of order.

So Peter Gordon's painfully achieved "free wage bargaining" has had to be ended. The economy cannot stand it, in the opinion of the would-be philosopher kings who tell us from their luxury suites in the Beehive what we can and cannot do.

The ending has come piecemeal and there are still many ragged edges and loopholes. But a pattern is emerging.



## POLITICS

It formed the basis of the Electrical Supply Authority's first offer to electrical workers last week.

And, surprise, surprise, it was also the Employers' Federation's sticking point in the drivers' award negotiations.

It takes, therefore, little imagination to divine where the Prime Minister probably got his figure from.

The Employers' Federation keeps very closely in touch with the Government. At times

this year, it has seemed almost like an unofficial adviser.

Now, let us postulate some factors.

One: the drivers award is regarded as a trendsetter. In the tight, mutually jealous circle of union leaders, settling for a smaller movement in the basic award rate than the drivers obtained would mean an unacceptable loss of face.

Two: the drivers are recognised as being among the lower-paid workers. Drivers can earn high wages, but by working overtime — a dangerous concept in an industry where a tired worker can be lethal to others.

Three: the Prime Minister says he is sympathetic to the lower-paid and his taxation approach gives some credence to his protestations. He has even agreed that there should be some sort of "minimum standard of living".

While this was going on there was a deafening silence from the (intransigent) Minister of Labour, Jim Bolger.

But, come the dawning of the new week, Bolger got into the act. He let it be known privately that the Government would not disagree with some reshaped agreement which still gave the drivers what they wanted, but kept the movement in the basic award rate to 9.5 per cent or thereabouts.

At the time of writing, the situation was still fluid.

But the important point remains: that was essentially an incomes policy.

This has interesting implications for the right wing party which aims to sit on the 12-months rule for awards.

I am told he even went along with an employers' suggestion of 10 per cent in the basic rate and a shorter award, which would have broken his own Government's commitment to the 12-months rule for awards.

We might therefore take it that the Government was not overly concerned with what the drivers were in fact paid, provided the basic rate movement was not high enough to push up the rates of higher-paid engineers, electrical workers and the like.

Whether it was also concerned that cutting truck drivers' wages would precipitate a full-scale confrontation with the union movement which the Government could lose, I do not know.

Probably, the Government concluded that a full-scale general strike was unlikely and that it was safe to proceed.

After all, in the mid days when Sir Tom Skinner ruled the roost, it was an unwritten rule that the union movement did not fight the Government — and Jim Kipax is a Skinner disciple on such matters.

The answer probably lies in another instinct of the right, that failure to cut wages was a major factor in the party's recent defeat at November.

This allows the new incomes policy into focus. It can be seen, at least partly, as a crusade against militancy. Witness the Prime Minister's own emphasis on the drivers' "standards of living". He sounded a theme which he would have bought if employers had agreed to it without a fight.

But there was a fight and it was led by, among others, the Russian-aligned communists, one of whom is now secretary of the F.O.L. And so the Prime Minister seems to have taken a leaf out of the Russian book — and be his own man in the wage fixer's authority.

Well, maybe, it is one way of getting away from the withering away of the state.

## Jaybel Nichimo use Covpaks for packaging efficiency in storage, labour and handling costs.

"At Jaybel Nichimo, we are now using Covpaks for the storage, packaging and transportation of frozen blocks of squid. Since changing to the Covpak system we have experienced numerous advantages.

### Bulk packing saves handling costs

"The ability to bulk pack our frozen squid means a great saving in handling costs. Once they are packed, the Covpaks can be simply transported directly into our cold stores because their pallet-base design allows quick, easy forkhoist handling.

"For the same reason, reductions in handling time are achieved at the point of shipping our product around New Zealand in refrigerated road transporters.

### Other cost-saving advantages

"We've also found that Covpaks stack well and, being re-usable, they reduce our packaging costs. Stock recording is made easy for us, too. After the frozen squid is packed into a Covpak, information is readily accessible because the grade, weight and number of packs is clearly labelled on the bin itself.

"With rapid rises in the cost of production, storage and transportation, the Covpak bulk bin system has been a very welcome addition to our operation."



Mr. Parkinson, Jebel Nichimo Ltd., (left) and Mr. Townsend, Product Development Manager, Hygrade Packaging Company.

### And here's how Covpak can help you...

Covpak is a new concept in bulk packaging and materials handling. A compact patented system that combines a heavy-duty twin-well corrugated case that interlocks with a pallet-base, eliminating the need for any additional fixing or sealing of the bottom flaps. Prior to assembly, the corrugated case packs flat and the pallets interlock to save valuable storage space.

When required, Covpak is easy enough for one person to assemble in moments. Once loaded, a Covpak simply requires strapping to secure it and unit construction and strong double walls help eliminate pilfering.

Covpak is available in two sizes to fit either refrigerated or general cargo containers, making maximum use of the valuable container space.

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A unit of AHRI Paper Products Group.

Covpak — a new pack concept from the Creative Packaging People.

members of which, Bill Andersen and Ken Douglass, are key leaders of drivers unions.

Apparently oblivious to the more insidious effect of the neo-marxists in other unions, the Prime Minister seems to see each display of militancy by drivers as an attempt to undermine the state.

Whatever the reason, he took a keen interest in progress in the drivers award talks.

He was well informed of the "agreement to agree" reached in the first week of September (one must presume, from the employers' side).

Over the intervening weekend, his officials were pitched into a flurry of activity, at the end of which he issued his "cut it back or be clothered" ultimatum.

Such tactics would be taken us one more step by the state-enterprise commission and arbitration system in which arbitrators are acknowledged as settling irreconcilable differences and strikes as therefore not conceptually compatible with free wage bargaining) to a less enforced contract system in which strikes are the normal way of settling differences.

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## After Maui decision: which companies will benefit?

Energy Reporter

UP to 9 per cent of New Zealand's gas resources will be exported as chemical methanol in the big move by the Government to make petro-dollars.

But the companies are taking it all very seriously. Shell's managing director David Tudhope is currently in London . . . and there are no prizes for guessing what he is talking about.

BP recently organised one of its rare briefing sessions for selected journalists.

Petrocorp is understood to have signed a secrecy agreement with the South Africanans, so that it can get the oil on the SASOL process,

which turns coal into liquid fuels and a host of petrochemicals.

In the meantime the gas

which is not being uplifted by

the Crown under the terms of

the Maui "take or pay

agreement", is costing about

\$18 million a month.

And the environmental lobby is cracking up the mid campaign against the export of non-renewable resources.

Transavonan admitted it

"was reasonable to assume"

the use of overseas money in

the General Finance bid. A nice piece of understatement there, because it is impossible to raise the necessary \$18 million or so in New Zealand.

Yet most agree the

Government appears to be

marking time slowly and has

panicked off the Liquid Fuels

Trust Board to come up with

something which will incorporate methanol as a petrol extender with compatibility with the car of the future.

There has naturally been a

deafening silence from the

multi-nationals, who have

been hammering the news

media for months with their

scare stories.

The Government should

approve methanol production

up to the level which will

achieve the maximum

economics of scale, that is up

to 2500 tonnes per day;

● the bulk of the production

should be allocated to the

export market to generate

income in the short to medium term . . .

● the second half of the

production should be allocated

in the medium to longer term

in fuel in New Zealand . . . it

may be necessary to initially

export a part of this second

block of methanol on a short

term contract basis.

The board believes that

export markets could be

located for the whole 2500

tonne-day of production</p



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Corner of Waterloo Quay & Bunny Street. Phone 728-255.

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## Apple growers get pip with monopoly market

Helen Vaute

OUT in West Auckland's orchard district the men and women best versed in the business of growing apples are rapidly learning a new skill — the art of battling bureaucracy.

In a bitter struggle to break free from the controls of the Apple and Pear Board marketing monopoly the normally peaceful rural scene is broken with the clatter of typewriters churning out newsletters and submissions, the sound of angry voices reciting the principles of free enterprise at almost daily meetings.

The newly formed Association of Independent Fruitmarketers is fighting for the right to compete with the Apple and Pear Board's monopoly of supply to the local market.

The 70-strong association wants the right to supply fruit directly to local retailers and the fruit markets.

Last week it launched a petition calling for this freedom and hope to collect at least 20,000 signatures before presenting it to Parliament next year.

The battle has been brewing for years (see NBR January 21) but with the formation of this group all interested parties have been forced to step up their pitch.

Under the regulations of the Apple and Pear Act, 1971, all growers must sell apples destined for resale to the board only.

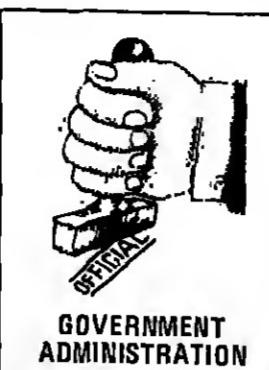
Growers can sell a maximum of two cases at the gate and they can deliver pre-ordered fruit direct to consumers within 65 kilometres of the orchard.

In theory therefore, the Apple and Pear Board controls the marketing pattern and price of all apples for resale from tree to fruit shop nationwide.

In practice though, only around 20 per cent of Auckland's crop has been going through the board.

Auckland growers are only a few kilometres from the biggest consumer market, the bulk of apples are bought either fresh from the gate or from a retailer via the thriving black market.

Broadly speaking, support for the board's marketing monopoly comes from the growing areas furthest from the large consumer markets.



Nevertheless large quantities of apples are smuggled out of Hawke's Bay to Auckland and Rotorua-Taupo markets to cut out the board.

Last season the board attempted to curtail black marketing and gate sales.

By offering higher prices to growers and lower prices to retailers it hoped to take the profit out of black marketing and to give the retail fruiterer a more competitive price situation.

To do this, the board was willing to take a loss. And it could well afford to as it had made a rare profit from the previous year's export sales.

But the move angered growers. They felt the profit should have been seen as growers' money — and not used to support the board to fight growers — especially since the board now wants to charge growers a levy on their apples.

NB asked the president of the NZ Retail Fruiterers Federation, Jim Lowe, if he would be supporting the independent marketers in their free market battle.

He said his group was committed to give the board's new pricing move a chance for a year.

That year expires very soon. Retailers were to have been able to be more competitive, able to offer apple varieties as soon as they were available at the orchard gate and to be insured of supply.

Lowe wouldn't be drawn on how well this had worked out but in the past he has lobbied strongly for major changes in the marketing situation.

The Independent Fruitmarketers petition is their second to Parliament in a year.

The first resulted in a few kilometre extension to the distance growers can deliver pre-ordered fruit.

The second petition was launched at last week's meeting by Helensville MP Dale Jones.

He told the meeting: "There is a general move afoot to free up controls. Even if some controls are for our benefit they should at least be questioned."

"Through an export imperative, the Dairy Board initiative will hold a monopoly of flavoured milk — in one of the biggest markets in New Zealand..."

"We submit that this amounts to a massive distortion of the market if that operation takes place in the absence of competition from fresh flavoured milk."

The Federation of Milk Vendors has no connection with the National Union of Milk Vendors (whose submissions we reported last week).

The group wants to "provide an outlet and incentive for the traditional initiative and enterprise of growers who are willing and able to go out into the hurtful of the marketplace yet still respect the rights of those growers who prefer the protection of a statutory body."

Connolly said: "Surely this clearly shows that the consumer would be best served if we could supply fresh fruit direct to local auctions and retailers."

The Apple and Pear Board however, is confident the situation has improved according to its publication Apple and Pear. They give figures to show an increase of 33.8 per cent this season on the 1976 season.

Board sales manager Ken McGillen wrote: "Consumer response to low pricing of early and mid-season varieties, together with early release of main stream varieties is reflected in this very significant improvement in distribution... consumers have shown immediate reaction to our new strategy."

"There is no doubt that the minority grower group causing the problems have received a severe jolt."

"That in itself should provide you with some satisfaction and hopefully bring you to the conclusion that a controlled local market can work in the interests of all parties. Have no doubts, we are determined to prove that it will work."

And in the same June publication the board's general manager Jim Bremer admits that the "small group of rebel Auckland growers have at least shaken the monopoly."

"The activities of these rebel growers have made us determined to become more efficient and innovative in our local marketing efforts and we are totally confident that over the next few seasons the legitimate and progressive fruit seller will have little difficulty in competing with those growers who choose to sell their fruit at the gate and by mail order," Bremer wrote.

## For sale: 1800 houses with buyers

by Cathy Strong

equity that his brother in town is able to do.

In addition to the houses' availability, the division is making sure mortgage money is available.

Housing Corporation terms will be the normal amount — 20 per cent deposit, prime rate 9 per cent, a 30 year repayment period.

But electricity workers will be entitled to a special suspensory loan to make up the 20 per cent deposit, up to \$800.

After the first 12 months only 15 per cent will be available, but it is to be written off after 10 years if the buyer remains with the NZED and continues to occupy the house.

It is interest free, unless the buyer sells the house or leaves official.

The NZED's houses were valued at \$25,443,662 last year. But as many of them are in remote areas with no real market value, it has been difficult to put out a scheme.

Employees wanted a chance to buy their houses and thereby develop capital equity for their old age.

Under the scheme, about 490 houses in metropolitan areas will be sold outright.

The employees living in the houses have first option to buy them — up to 12 months from implementation date.

The division apparently planned to get rid of those anyway, as employees can easily supply their own houses in the cities.

About 500 houses in rural or small-town areas will be sold, but later, if the employee-cum-homeowner finds he can't find someone to buy the house, the Crown promises to repurchase it.

They face some stiff opposition and not the least of it from the top ranks of the Frugrowers' Federation.

Auckland federation director Horia Skelton said freeing the local market would be a retrograde step that would favour only some people.

He said a meeting of the federation's advisory committee on Monday endorsed "the controlled and orderly marketing system we have".

While that may be the official voice of the Frugrowers' Federation not all members see eye to eye on the marketing situation.

The independent group has been accused of being preoccupied with self-interest.

In a newsletter, group spokesman Brian Connolly

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See page 10

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3-5 Gabadon Place, Mt Wellington.

## Auditor does his job

I REFER to your item headed "Auditors tone down attack", (NBR, August 15) wherein your reporter presents a picture of the Audit Office taking measures to, and I quote, "smooth over ruffled feeling" in the data processing division of the Health Department.

Although a layman in my understanding of the function of the Auditor General and his department it would seem to me that there should be absolutely no consequence to the Audit Office that they should have ruffled the feelings of any spender of public money. In my naivete, I had laboured under the impression that this was the precise function of the Audit Office.

That this particular data processing system was bought in the first place was a signal triumph for American computer salesmen and showed up an intolerable defect in fiscal control that \$22,000,000 of public expenditure could be committed, by a Minister outside Vote Health.

It has been said that this particular computer could easily encompass the tasks it is expected to do in New Zealand for a population equal to that of the British Isles. No wonder hospital boards are jibbing at being asked to replace existing efficient low cost systems to be put clear by this monstrosity.

Garth Powell  
Auckland

## Non-smokers win deal

RE: Your article August 22, 1979.

Quote: There's a spot of two timing about this happy relationship between smoking and life assurance.

The following advertisement makes Metropolitan Life's position quite clear.

The telegram was intended to be cryptic as we considered that your reporter was likely to distort the facts and make mischief. It was clearly sent from Brown, Woolley & Graham by Messrs Brown and Woolley and should have been signed accordingly. My apologies for such oversight.

I can be of further help in your research, please say so.

deliberately recorded the 0.12 per cent Metropolitan Life shareholding in company shares to total assets to be mistaken for 12 per cent.

Maybe you would like to record that I have smoked for over 30 years; that I shall continue to do; that I am the only director of Metropolitan Life who is currently smoking; that Metropolitan Life specialises in offering protection to all; that when offshore racing, I have determined that out of five non-smokers and five smokers, the only crew members who were not seasick were the five smokers.

If I can be of further help in your research, please say so.

D S C Brown  
Metropolitan Life.

intenses, which are met by net wages. I have a decade of personal records as a salaried employee and theoretical records of a "typical" carpenter and both show an inexorable drop, in real terms, of take-home pay.

Bernard H Merwood  
Mutukana

## PAYE cuts mean jobs?

OFFICIALS of the Inland Revenue Department were recently reported in the effect that some people could not pay their taxes because they could not make ends meet, and that the offence of employers not paying PAYE becomes more noticeable during tighter economic conditions.

That is only to be expected. Arguing from first principles one can predict that a tax on all wages will tend to both unemployment and a need for more taxes.

There is only one reason for going into business—to make a profit. Employers are prepared to offer \$125 a week gross and some prospective job-seekers are prepared to accept \$100 in take-home pay, but customers are not prepared to go above \$125 to give the employer a profit.

Because there is no profit to an employer in giving more employment, there is unemployment; because there is unemployment, there is a need for more taxation to pay a dole.

If, however, in the tighter economic and take on new workers, the cost of their pay, unemployment reduced, as there are employers who could profit if they could pay \$100 for labour, but as they must pay \$125.

As \$100 is more than a dole, the employment purchasing power of a community, which creates a demand for production, which leads to even more jobs if unemployed.

If wages and salaries defined as what a man's home rather than as cost, employer, it is possible to avoid most of unemployment in a year gives work and purchasing power to unemployed; that is, employers to make profits that are a condition of hiring men; that gives profits to other business the new worker's job is more than his payment; that costs nothing in lost taxable new men in work who dole; that increases from the higher tax greater profits; etc further effectively as revenue by reducing payments.

The best thing about it is that I'm self-employed, my own master. In 28 years, I've never worked for anybody."

Papps has seen a lot of changes in those 28 years. Boards of directors have, he says, become much more efficient—and effective. The old days of members of the family, old boys network, everything done at the Wellington Club, have almost disappeared.

Activities in which he's involved range from insurance and investment banking through engineering, industrial machinery, carpet manufacturing, cosmetics and hosiery to freight forwarding and stock and station agenting.

How, quite simply, does he cope, not only with the workload but with the demands of understanding such a multifarious range of businesses?

"My legal training probably comes in useful. As a solicitor I had to jump from one thing to the next pretty quickly. I've never had any trouble doing that."

A self-confessed workaholic, Papps, known to his many

# Papps: workaholic sits on 28 company boards

by Mary Varnum

ACCORDING to the American best seller "Power and How To Get It", the one sure sign of success is having a corner office on a high floor.

The corner office occupied by solicitor and company director Lyn M. Papps is on the ninth floor of Wellington's Europa House. It's also large and sunny, with sweeping views of the city's business district and the harbour beyond.

While the 58 year old Papps is not widely known outside business and financial circles, within them he is considered one of the country's most successful men.

Appointed chairman of UEB on the retirement of Sir James Dolg in August of this year, he is chairman of another 14 companies, deputy chairman of one and a director of 12 more.

The grand total of 28 companies which he has a major hand in controlling includes some of the country's biggest.

He is chairman of Ondis, Dolgetta, New Zealand Motor Corporation, Zip Holdings, Bonds, director of ANZ Banking Group and New Zealand United Corporation, for a start.

Papps stresses, however,

that he is careful about making public statements.

"I like to consult with the chief executive of the company first. He's got a more detailed knowledge than I can have as an outside chairman. He spends his whole time with one company. I spend mine with more than 20 different companies."

While Papps makes statements if the question is "purely policy", he feels those of a technical or managerial nature are more appropriately dealt with by the chief executive.

Papps was born in Auckland, the son of a school teacher. He attended New Plymouth Boys High and later entered Vic-

toria University law school. His goal—a career in the colonial service. His studies were interrupted by World War II and he served with the New Zealand army in the Pacific area.

Four years in the tropics were enough to convince him that colonial service was not for him. He returned to Victoria, completed his law degree and, in 1946, joined the prestigious Wellington law firm of Bell Gully and Co.

He has been there ever since and has the distinction of being the firm's second longest serving member. But, while a senior partner, he has not practised law for many years. In 1951, having developed a keen interest in business, he started moving into the realm of full-time company directorship. It's a decision he's never regretted.

"The best thing about it is that I'm self-employed, my own master. In 28 years, I've never worked for anybody."

Papps has seen a lot of changes in those 28 years. Boards of directors have, he says, become much more efficient—and effective. The old days of members of the family, old boys network,

everything done at the Wellington Club, have almost disappeared.

"We get down to business here. We get far more monthly financial and other information. Ten years ago it was pretty scrappy. Today we describe what information we want and we get it. Board members can argue as much as they like as long as they get on together."

While computer science and advances in information retrieval systems have had a lot to do with it, the stimulus has been an increasingly tough financial marketplace.

"Most public companies today realise the need to have good people on their boards. The sharemarket and the financial world look at the composition of the board to decide whether it's a good



LYN PAPPS...three decades of enthusiasm

company to buy shares in, or lend money to."

Boards in New Zealand have traditionally been of the older statesman variety. Does Papps see changes here too? A wider age spread?

"Boards are getting younger. We seek to get chops in their 40s and 50s."

"But," he adds, "experience is important."

"You take a gamble getting a young fellow on a board. He needs to have a success in his profession or business. You find not as much as you can about him but you still can't be sure he's going to fit in. Board members can argue as much as they like as long as they get on together."

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company to buy shares in, or lend money to."

As well as travelling constantly around New Zealand, Papps also visits Australia once a month and Europe at least once a year.

And relaxation? Well, while he's modest about his achievements, being a full-time company director on this scale is clearly not a job for the averagely energetic.

"I'm not on a board to give legal advice. If a legal opinion is needed, I always have the matter referred to the eminence solitaires."

"If I gave advice and the company solicitors said it was wrong, where would the board be?"

Conflict of interest is an ever-present consideration for a person involved in as many different companies as Papps is. While he says such situations rarely arise, when they do he is careful to declare his position and absent himself from decision making.

"I'm a strong believer in private enterprise," he says. "It's an almost shy understatement from a very forthright man."

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### National beats BNZ at airline card game

by Warren Berryman

BRITISH Airways has become the first airline operating in this country to sign with its local bank to accept Visa Card.

The airline signed with the National Bank after rejecting an offer from its own bankers, the Bank of New Zealand.

Now it has broken the deadlock, other airlines are likely to follow suit.

Current attitude among the airlines suggest that the National Bank is likely to beat the BNZ if it would become Bank of America's sub agent — at Bank of America's commission rate. The BNZ refused.

Commission rates to be paid to National Bank are understood to be between 1% and 1.5 per cent.

National now acts as a sub-agent for Bank of America.

The BNZ had a clause in its Visa contract, absent in the National Bank contract, demanding that the airline underwrote the liability of the travel agents, should these travel agents accept Visa Cards.

Travel agents have resisted accepting Visa Cards, because the commissions paid to the banks would have to come out of their own pockets.

But in a deal such as that concluded by National and British Airways, the airline could instruct agents to accept Visa on their behalf and then pay the commission itself.

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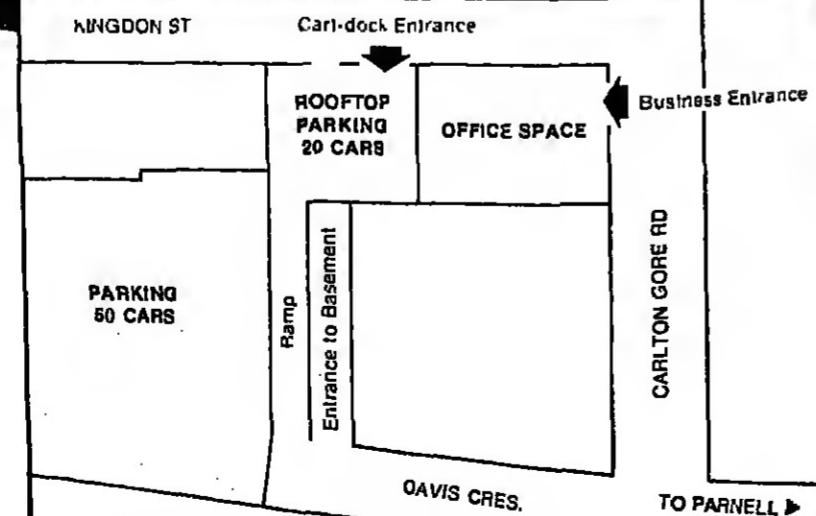
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A.M. SATTERTHWAITE & CO. LTD. 3-5 Geddes Place, Mt Wellington.



## Eleventh hour reform halts Chile trade ban

by John Draper in Santiago

A LAST minute programme of labour reforms restoring wage bargaining and limited trade union rights has saved Chile's ruling military junta from the threat of an international trade blockade.

Only New Zealand's Federation of Labour is persisting with its 1974 trade boycott. Though according to FOL information, various unions throughout Europe and South America are taking action — but not on a co-ordinated basis.

On September 10 the International Confederation of Free Trade Unions (ICFTU) initiated a week of industrial action in protest against the Chile regime with affiliates in Europe, Canada, central America, Australia and New Zealand among those participating.

An 18-month campaign by the American AFL-CIO labour front, backed directly by the United States Government and supported by ORIT, the pan-American trade union organisation, has wrung the concessions from General Pinochet's military Government.

Already trade unions are pushing for big pay rises, claiming 120 per cent of the increase in the cost of living index, about 4 per cent a quarter, and the updating of allowances.

Clearly worried, the military junta sacked the right wing Labour Minister appointing Pino, a 30-year-old economist, who immediately promised to introduce a labour programme.

In the first week of July as ORIT's second deadline expired, Pino announced a six-part package outlining the Government's industrial law.

Further modifications to the law are thought to be unlikely. The Government has stated there will be no changes except for "technical details".

Not surprisingly, surviving trade union leaders are against the reforms. The "Group of Ten" are leading the opposition supported by the AFL-CIO and pressuring for more concessions.

And their call prompted ORIT, when it met in Carricens in July to consider Chile, to recommend a one week trade boycott this month.

The call is unlikely to be heeded by many unions as the meeting was without a quorum.

In New Zealand, the question of the trade ban now rests firmly with the FOL as the only member of the International Confederation of Free Trade Unions still effectively applying the ban as recommended in 1974.

Many members never did apply the ban, some regarding it as unworkable. For others it was illegal to do so.

But a union can not call a strike until 30 days after the claim has been filed and negotiations filed.

If there is no settlement in a further 30 days, an employer

can engage temporary workers. At the end of 60 days the permanent work force can be dismissed and replaced.

Wage bargaining is being gradually introduced on an alphabetical system which some observers claim is leaving the difficult awards to last.

So far since bargaining began in mid-August there have been no strikes.

Once awards are settled, unions can call elections for officers for the first time since 1973, the sham election of last year excepted.

These elections were hastily organised by the Government at four days notice as ORIT's first deadline for reforms expired.

At a meeting in December, ORIT found the reforms unacceptable and extended the deadline for a trade blockade to June 30.

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Wage bargaining is being gradually introduced on an alphabetical system which some observers claim is leaving the difficult awards to last.

The ban is hurting. But Chile remains untouched. A trifle of New Zealand exports, estimated by reliable sources at around \$2 million a year and growing, are finding a way around the barriers but the big opportunities are being missed.

In 1978 Chile imported 10,000 tonnes of butter from the European Economic Community. Another 10,000 tonnes were imported in the first six months of 1979. Together with 10,000 tonnes of imported cheeses New Zealand is missing a potential \$100 million plus market for dairy products alone.

Forestry also offers considerable scope for New Zealand expertise. Sanz will be trading generally throughout South America, buying and selling where it can, using Santiago as its base.

Pinochet says Chile is the easiest country in South America to work from and though others, such as Brazil, offer good opportunities for joint ventures in manufacturing, the costs of operating are much higher.

Keeping a representative in Brazil can cost \$450,000 a year. Already Sanz has one contract worth around \$1 million within its grasp and Pinochet says there is no shortage of opportunities.

Politically the country still seems as divided as in 1970 when Allende was able to head a coalition Government with only 35 per cent of the vote.

In a surprise move, the junta allowed the country's 28,000 students to hold elections this year. Political labels were banned but analysts, who like the students had little difficulty in determining the political sympathies of the candidates, estimate that the Junta collected around 30 per cent of the vote. The Socialists and Christians won nearly another 30 per cent.

Internationally, the country is longer the leper.

Pinochet will be making a state visit to Japan "at a time

when several civilians are in the Government including 30-year-old George Pinto as Labour Minister who is responsible for the recent reforms.

A new constitution is being worked out for presentation to the people in a referendum originally scheduled for later this year. It now seems unlikely to be before 1980.

Chile is a country full of contradictions.

Pinochet seen abroad as the hard-faced general is said to have the stamina and manner of a Jimmy Carter, always out meeting the people and virtually electorally.

Today the popular daily paper in Santiago and the Government's most vociferous surviving critic in print, has been suspended for three weeks for going just too far.

The new constitution will give the junta powers to appoint a Parliament, which will then be asked to confirm Pinochet as president.

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Strong family ties, where one \$100 a month job is feeding many mouths, has also helped the poor get through the worst.

Observers admit that for many, the improvement is no more than the difference between "starving and being hungry". But they claim, even that is an improvement.

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## Invention negotiators protect cancer cure

by Warren Berryman

THE Development Finance Corporation the other day negotiated with a multi-million dollar American pharmaceutical company over licence rights for the DFC's applied technology programme people who have only recently extended their activities to licensing local inventions.

Owen McShane, the DFC's negotiator and manager of the Applied Technology Programme (Northern Region), said two New Zealand companies were aware of the advantages of licensing. Fewer still knew how to go about getting the best possible licence deal.

The main benefit from licensing, he said, was quick access to world markets using distribution systems and sales techniques beyond the capability of most New Zealand companies.

Speed was of greater essence than most companies realised.

McShane said, some just looked at the life of their patents when they should be looking at the life of their technology. Due to rapidly advancing technology a product's life could be far shorter than the patent rights protecting it.

In high technology areas one of the greatest benefits of licensing, McShane said, was in the area of technological exchange between licensee and licence-holder.

Many New Zealand companies were woefully ignorant of how to go about getting the best deal from a licensee.

McShane said, for example, many companies did not realise they should ask for a front end fee of about 25 per cent of royalties and fees at their projected maximum

world's pharmaceutical giants. (see NBR September 5, 1979).

Successful negotiations would also be milestones for the DFC's applied technology programme people who have only recently extended their activities to licensing local inventions.

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would not result in maximum market penetration of the invention—the product would be superseded before it got to first base.

A licence agreement with a foreign firm would bring the inventor feedback from foreign markets without the expense of establishing an overseas base.

A licence agreement also had the advantages of avoiding foreign tariffs, material supply problems, and manufacturing controls imposed by foreign governments.

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McShane said, for example, many companies did not realise they should ask for a front end fee of about 25 per cent of royalties and fees at their projected maximum

level when signing the licence agreement, he said.

These front end fees and royalties could provide the New Zealand firm with funds for both business expansion and further research, he said.

Several of the advantages of licensing are manifest in the case of the Cancer Society's anti-cancer drug, m-AMSA.

A cancer drug usually takes about six to eight years to develop to a marketable stage. Clinical testing can cost millions of dollars. After which the pharmaceutical company must publicise the drug and make it known and acceptable to the world-wide medical community.

The financial resources involved in such a venture are probably beyond the reach of any New Zealand company—much less the Cancer Society.

From a humanitarian standpoint, the sooner the testing of this drug to prove or disprove its worth the better. If these tests are successful a large pharmaceutical company can distribute it far wider

and sooner than could a New Zealand company.

Drugs often have a limited commercial life before they are superseded by something better. In this case m-AMSA could well be superseded by one of its analogues also developed by Cain.

As regards putting m-AMSA on the United States market, there are strict guarantees and regulatory procedures involved which might be handled by a large American company more easily than by a New Zealand organisation.

The royalty and fees flowing into the Cancer Society could be used to further research—though these funds, if and when they eventually—have yet to be earmarked for any specific purpose.

A licence agreement between either American pharmaceutical company and the Cancer Society would probably involve a long-term technological exchange agreement between the Americans and Cain's team of researchers.



### DFC commercialises state-based technology

THE DFC's applied technology programme is about three years old.

One part of the programme's brief was to commercialise Government-sourced technology through licensing.

More than 30 licensees have been negotiated—more than three-quarters of these Government-sourced technology.

The DFC's commission might be split with one or more outside licensing agents in search of the right licensee.

Licence arrangements were usually made through personal contacts, McShane said.

While the DFC's licensing operations are still in an embryonic stage, it has been busy establishing technological exchange agreements with research organisations in Hong Kong and Singapore and then international agencies, as well as building up its working relationship with American pharmaceutical companies.

But now private companies are providing the licensing team with the bulk of the work, programme manager Owen McShane said. It now has 15 private firms on the books currently seeking a licensee.

The programme will act as licensing agent for private companies whether they are DFC financed or not.

For the service, the DFC charges commissions from 15 to 30 per cent of all royalties and fees received.

A 30 per cent commission on all royalties received in per-

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8.30 — 10.30 p.m.

The drink to have  
when you're not having a drink

A Claytons/SPTV multi-media promotion.

### Bay Sun shines out

Tauranga's free newspaper, the Bay Sun, became a twice-weekly paper in August as part of a development programme which has seen a rise in both circulation and pageings.

The paper now has the largest circulation, paid or free, in the Bay of Plenty region.

The Sun was launched four years ago by Tauranga printer Don Kalc, of Rugby Review fame.

Kalc had previously printed the Mirror a Tauranga paper which had prospered as a free weekly but quickly failed when it attempted to become a daily.

A printer rather than a publisher, Kalc entered the market out of a conviction that the prosperous Tauranga region could support more than the existing daily evening paper the Bay of Plenty Times and community papers at Mount Maunganui and Te Puke.

David Basham of the Te Puke Times had the chance then to publish the Sun. "All he wanted was to print it," Basham said.

In May 1979, Basham formed a syndicate of three to take over his own paper and the Bay Sun. Together with Rex Appleby (sales manager) and Zelda Morrison (office manager) they launched Bay Sun Ltd.

With this prosperity coming from diversified areas including intensive farming, horticulture, forestry, land transport, and shipping, Basham said he had a strong

FOCUS Advertising and Marketing Limited is a new Wellington advertising agency, headed by Chris Sharp who spent the last eight years with Ogilvy & Mather. During that time he managed successively the Adelaide and Wellington offices. Before that he worked six years with USP

Focus, which plans a future as a complete service agency, has secured its first account in Challenge Finance. "As financial advertising is one of the areas where we have considerable experience, we have made it one of our early goals," Sharp told Admark.

WE APPLAUD the practice of advertising agencies advertising their own services. In doing so, they are endorsing the advice they give their clients. They are affirming

itself.

It also contained what we describe as knocking copy.

Examples: "85 per cent of all

advertising is created ad hoc.

Most products lack any con-

sistent image from one year to another." "... most ad-

vertising is impersonal,

detached, cold and dull." "...

most advertising for new

products fails to exploit the

opportunity that genuine news

provides."

"Most advertising cam-

paigns are too complicated. By

attempting too many things,

they achieve nothing."

Needham in Brisbane, Sydney and Melbourne offices.

Co-founder Brian Bennett is a former pharmacist and an alumnus of Brierley Investments where he was manager of City Realities and a board member of some of the Brierley group companies.

We feel a little sad when compelled to criticise an agency ad which appeared in our columns. The Ogilvy & Mather full page which appeared in NBR August 22 was headed "Confessions of an advertising agency." It set out to tell some of the company's "trade secrets" and contained some succinct, telling, and apposite advice about the structure of advertising.

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**Agency comes  
into Focus**

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**Knock copy  
draws fire**

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and demonstrating their own  
beliefs.

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when any agency selects our  
paper as a medium because  
agencies know how to reach a  
target market with the greatest  
degree of efficiency.

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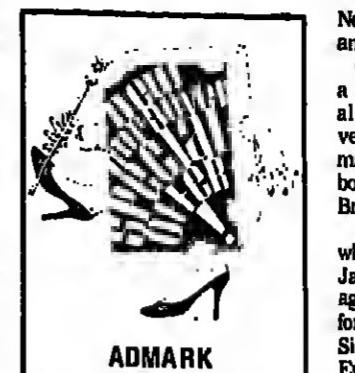
If all the generalisations  
quoted above are true, then  
most advertising is a waste of  
money. We willingly believe  
that some advertising is a  
waste of money just as some  
advertising is guilty of the O &  
M charges.

But, taken in toto, the  
statements are demonstrably  
wrong. They deny the com-

petence of many advertising  
agencies who have proved  
their worth on the score of  
results achieved for their  
clients.

We believe the ad would  
have been more convincing if  
it had stayed with a strong  
positive note throughout.

We'd like to say to O & M's  
managing director, Martyn  
Turner, that we're certainly  
not anxious to bite the hand  
that feeds us. But this is a  
newspaper that deals with  
business affairs and we feel we  
have a job to do, too.



local economy on which to  
base his confidence.

"We are here to stay," he  
said.

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## Commission adds weight to film industry

by Belinda Gillespie

THE Film Commission has considered over 90 film projects since it began work as an interim body in 1977. About 30 of these have been helped in various ways, 40 have either been declined or lapsed, and others are under consideration.

The commission's working capital, \$500,000 a year of it, comes from lottery profits and is guaranteed until the end of 1981.

Already into its second financial year of the three year period for which the Lottery Control Board has assured

financial support, the commission has yet to hear whether the period will be extended.

But there is general confidence at the commission that the variety of films backed over the period, and the good public response, will ensure that means are found to continue.

Films are one area of the arts where the Government has modestly increased its stake in recent years. The interim Film Commission received \$100,000 for its earlier work in 1977-78, also from lottery profits. The Department of Internal Affairs, which

stands the running costs of the commission, increased its vote in the 1979 Budget to \$120,000 for 1979-80, from \$55,000 the previous year — though actual expenditure was \$82,000.

Before the Film Commission Act was passed in November 1978, the interim body under Chairman Bill Sheat had been advising the Government on the legislation, establishing guidelines for developing the film industry and trying to build private investor confidence in the new area.

Arts Minister Allan Highet said of the new law that it "provides for — a fully independent statutory authority

which will play a major role in developing the local film industry." It would encourage financial and other means in the making, promotion, distribution and exhibition of New Zealand films.

The commission has power under the Act to support films through the chain of script development, pre-production, production and marketing.

Its main criteria in considering projects are significant New Zealand content, and financial viability — so it favours projects where New Zealanders have determining roles in the main phases of film-making, and considers market appeal and practicability of works, as well as their effectiveness on screen.

The possibility of co-productions with overseas interests is part of the commission's role, as well as looking for international distribution for the films with which it is involved.

There are seven members of the commission, under Chairman Bill Sheat. He is a Lower Hutt solicitor and former chairman of the Arts Council, who has been involved in feature-film production since 1964.

Pacific Films' John O'Shea, who has himself produced and directed three feature films, is Sheat's deputy.

Other members are Royce Moodie, managing director of Amalgamated Theatres, Merv Corner, a member of the New Zealand Lottery Board, David Gascogne, and Davina Whitehouse, with the Secretary of Internal Affairs holding an ex-officio position.

There are four staff members, including director Don Blakely and Lindsay Shelton as head of marketing and information.

Overseas marketing activities, according to Shelton, are now directed at selling New Zealand films for television, where the greatest profits lie.

Sales made at the annual MIP-TV market in Cannes this year are likely to total more than \$200,000 when all the contracts are finalised.

The figure includes contacts made by the commission, by

the commission's financial help to films in production by foreign terms negotiated with the producer and private investors — terms which are supposed to give strong incentives to investors to back local productions, while giving a solid base for the product company.

The commission's state generally below 10 percent the total budget, and it makes loans for the promotion and distribution of films.

Beside providing public relations, an important part of the Film Commission's role is to help film-makers raise private money.

Lindsay Shelton pointed out the pre-commission features "Sleeping Dogs" and "Sob" were backed by private investors, but in each case the sources proved a secret, and the companies who made them were left high and dry at completion.

The commission aims to provide financial expertise and on-going support for a generation of film-makers spawned mainly by movies — which no longer has the financial means to support film-making ventures.

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The commission aims to

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## Freezing workers' self-help co-operative scheme

by Colin James  
UNTIL not very long ago, the Whakatane Afforestation Trust was run out of a suitcase. Now it rates a filing cabinet.

But there is nothing mickey mouse about the trust — a self-help co-operative of Hawke's Bay freezing workers.

The seven-year-old trust has assets of close to \$1 million and a yearly investment of about \$10,000.

Add to that an ambitious expansion programme and you are talking about a substantial business by New Zealand standards.

Already it has been imitated by another group of freezing workers in Waikato and others in Otago and Northland are taking up the idea.

The idea is relatively simple: buy up or lease land and plant it in trees; pay the development costs out of income from members (with help from the taxpayer); when the trees are cut divvy up the proceeds.

Translating the idea into practice among a group of people short on commercial experience has been less simple.

The idea is largely the brainchild of one man: Mike Kitchin, farmer, freezing worker, union president, resident (comfortable or architect-designed house) of Havelock North, now pushing middle age. Turning the idea into reality was also largely his work.

He has since helped set up the Waikato trust and is advising the Otago and Northland ones.

Kitchin is no intellectual

prisoner of ideology. For him the project is a practical exercise in self-help, not a weapon with which to create the new society.

He did not get the idea out of books. At the time the trust was set up in 1972 he did not know of the successful Montdragon co-operatives in Spain or the worker control experiments in other parts of western Europe and Yugoslavia.

Even now, though he has filled in some of the gaps, he is by his own estimation, not well read in the theory of cooperatives.

Rather, like the organisers of the farmer co-operatives before him, he was seeking a practical response to the problem of winter unemployment among freezing workers and the growing hopelessness of life insurance as an investment.

Kitchin left secondary school after an undistinguished three years. He then went as a farm trainee to Flock House, near Bulls in the central North Island.

He "did quite well there" and went farming, getting his own farm at age 25 in 1968. The late 1960s were not a good time to be farming sheep on 110 hectares in the Hawke's Bay hinterland. Wool had crashed at the end of 1968 and lamb prices were not astronomical.

He worked his way clear of debt and got out in 1971. Then he took three months holiday, during which he read some of Bill Sutch's nationalist economic books. From them he got the idea that New Zealand should not im-



BASE CAMP... winter job for freezing workers.

port foreign ideas but find its own salvation.

New Zealanders developing New Zealand struck a very strong chord in me," he says.

From age 17 he had been working in freezing works in the summers, even during the years when he was farming. Still with the spirit of enterprise that took him into farming, he began to look at his new predicament as a "full-time" freezing worker.

"Full-time" in a freezing works means for most that they spend the winter months unemployed.

So he put up an idea to a union meeting that workers should get together and buy themselves a forest. The idea got a warm reception.

The next stage was a feasibility study, for which the Taupo firm of J G Groome Associates, was called in. Groome had already looked at the block the trust now has on behalf of some local bodies. Kitchin himself was supported by the union for three months

to a halt for lack of ready cash.

It would have, if the workers had not been trust members who decided that there was more point to getting the trees in the ground than collecting wages.

Since that planting, some 800 hectares of the 1200 hectares of plantable land have been put down in radiata pine. Planting should finish in 1981 and thinning and pruning by 1990, by which time, at current growth rates (helped by a 70-inch annual rainfall), the first trees should be within a few years of cropping and replanting.

Trees in the ground of March 31, this year, totalled \$324,000 in value, to which needs to be added this winter's planting, worth roughly \$30,000.

The trust's interest in the lease — roads, bridges and so on — comes to \$342,000, giving total forest assets of about \$688,000 in March, or about \$698,000 now. Other assets, such as buildings, vehicles, equipment and others, bring the total up to just over \$750,000.

To that also needs to be added the 492-hectare Waimata station, 30 kilometres south of Waikato, bought by the trust in June at a cost of \$175,000, but probably worth more than \$200,000 now that tree planting and cropping planning permission has been obtained. Planting should begin there next winter.

That makes a total of just under \$1 million.

It is owned by about 1150 trust members, who among them hold about 442,000 shares.

In the 1978-79 year shareholders contributed \$58,000 in cash, a total of up to \$1500 a week at the height of the killing season.

By the end of each season the trust's books usually show a healthy balance; by the end of the winter, when most development work is done, they are close to or in overdraft — around \$40,000 now, in the wake of the relatively short killing season last year.

The trust obtained a 60-year lease. By the time the trust and lease documents were drawn up, the initial subscription of \$1,000 in \$1 shares had all gone.

But more was to come, since most trust members who joined, did so on the basis of weekly deductions of 50 cents upwards (the minimum is now \$2).

Even so, the first planting in the winter of 1973 nearly came

to a standstill.

Most of the trust members

are members of the Hawke's Bay freezing workers' union (equalling about a quarter of the total union membership).

But under the trust deed, up to 10 per cent can be considered "sympathetic to the trust's aims". Kitchin estimates "about 50 businesses" hereabouts. So do nearby farmers.

Carpathaggers are not welcome. To drive the point home, a limit of 20,000 shares has been applied on any individual holding.

Shares may be sold, but only with the approval of the trust board. Few have been.

No interest is paid on the shares. But after each yearly revaluation of the forest, a bonus issue of shares is made proportionately to all shareholders to increase shareholdings by roughly the same percentage as the market value of the forest rises.

Bonus issues started at 5 per cent in 1975. This year it's 7 per cent.

The current asset backlog is about \$1.50 a share.

There is one way members can make income from the project — by working out.

Many have either farmed or months during the winter at weekends (exactly as many, Kitchin doesn't know).

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## develops into million-dollar forestry business

by Colin James  
UNTIL not very long ago, the Whakatane Afforestation Trust was run out of a suitcase. Now it rates a filing cabinet.

But there is nothing mickey mouse about the trust — a self-help co-operative of Hawke's Bay freezing workers.

The seven-year-old trust has assets of close to \$1 million and a yearly investment of about \$10,000.

Add to that an ambitious expansion programme and you are talking about a substantial business by New Zealand standards.

Already it has been imitated by another group of freezing workers in Waikato and others in Otago and Northland are taking up the idea.

The idea is relatively simple: buy up or lease land and plant it in trees; pay the development costs out of income from members (with help from the taxpayer); when the trees are cut divvy up the proceeds.

Translating the idea into practice among a group of people short on commercial experience has been less simple.

The idea is largely the brainchild of one man: Mike Kitchin, farmer, freezing worker, union president, resident (comfortable or architect-designed house) of Havelock North, now pushing middle age. Turning the idea into reality was also largely his work.

He has since helped set up the Waikato trust and is advising the Otago and Northland ones.

Kitchin is no intellectual

prisoner of ideology. For him the project is a practical exercise in self-help, not a weapon with which to create the new society.

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</div

# Conference pitches 'quality' in marketing bid

By Bob Stott

**THE** Meat Board's disagreement with meat exporter Waitaki, which wanted to use non-conference ABC Lines to ship to Europe, has prompted a re-examination of the reasons for the long-standing relationship between the producer boards and the UK Conference.

A conference is a getting-together of shipping lines serving a particular trade.

The lines agree to provide a regular service on the basis of an agreed rate structure and at the same time fight off outside competition.

Conferences — seen by many as monopolistic — over the years have been the subject of close examination.

The Commission of Inquiry into New Zealand Shipping, set up in May 1970, produced a 301-page report in June 1971.

Chaired by R D Jamieson SM, the committee concluded: "If one considers New Zealand's geographical

position and the enormous distances over which bulky products have to be carried by specialised and up-to-date carriers, one can only conclude that the conference has served New Zealand well."

Quoting liberally from I G Stewart's book "The Ships that Serve New Zealand", the Committee of Inquiry's report notes that the conference system is thought to have originated about 1875, when a conference was formed in the Calcutta trade.

By that time there were too many ships in the trade to carry available cargo and competition was such as to drive many from the trade.

The survivors found it was to their mutual advantage to reach an understanding.

Stewart says that as early as 1873 Shaw Savill, the Albion Line and the NZ Shipping Company had agreed on uniform freight rates, while by 1879 a further agreement on the carriage of wool and mutton had been reached.

the New Zealand trade. Standardised freight rates simplify costing for the owners of cargo carried... conferences pride themselves on the fact that all shippers receive equal treatment irrespective of the size of their shipments."

The report notes that there is no scope for price competition among members of the conference and concedes that purists who still believe that free competition in terms of price should exist under all circumstances will naturally disapprove of a conference and set up the cry of "monopoly."

"Bearing in mind New Zealand's inability to provide all the ships which she requires to carry her produce around the world, the seasonal nature of shipments and the necessity for some price stability in a type of business which, unless regulated, is subject to sudden and large swings in price, such arguments lose much of their force."

The report quotes Stewart as

## TRANSPORT

With a conference, says the report, sailings can be planned in advance and at regular and convenient intervals.

The lines in the group are assured of a certain quantity of cargo and can therefore more readily estimate the amount of tonnage necessary for present and future requirements.

"Huge amounts of capital are required for the building of modern efficient ships... the ships that are required are fast long-distance refrigerated carriers... they are essential to



BERNIE KNOWLES ... car-

sity is asset.

saying that although roles are agreed on, there is still competition among members of conferences. But the competition is confined to quality of service.

Stewart suggests that this competitive field remains wide, since membership is usually international.

It could well be for reason that the rate per tonne for carcass lamb to the typically \$40-\$50 in New Zealand and \$70-\$80 in Australia.

He points out, too, that a conference fits its freight rates at too high a level, the resulting dissatisfaction of shippers may attract competition from outside. The only way to discourage this is by keeping rates down.

Stewart suggests that by and large shipping rates find their own level.

The 1971 report does not regard outside competition as a great force in the case of the NZ - UK conference, because competition can come only from owners who have available the "inst-up-to-date" efficient refrigerated vessels which the New Zealand trade requires:

Perfection escape established lines task us all... and a new facing such competition have to be so much better simply survive.

There have been many over the 100-year history of conferences of outside companies.

It says:

"Those who at this point think of the ease of fruit exports should remember that fruit is a special case. It requires a particular form of refrigeration, and there are in the world refrigerated ships designed specifically for the carriage of fruit. If the trades for which they have been built and upon which they are normally employed are seasonal, and their off-season fits in with the period during which New Zealand fruit is to move around the world, then obviously such ships may be able to provide a very acceptable service to New Zealand."

They offered a good service, but were not so much worth while, share a large market... and accepted an invitation to join the conference.

Whether the cost benefits much from extra performance?

If an outside vessel carries 10 per cent of cargo in Britain, it would add per cent to carrying 10 per cent less, no decrease in operating costs.

These would have either a rate increase or a reduction in service, and lines reduced their prices to what do they do with ships in an overcapacity world?

The producer board of other big shipping lines would be under pressure if they preferred to stick with what they know.

Marketing international enough, whether settling workable arrangements.

There's another problem looking at the problem of freeing ports and so on, limited storage capacity.

It makes sense to have a port for loading up a rooster for sailing to avoid two ships arriving at the same berth at once, demanding full cargo.

Dairy Board general manager, Bernie Knowles, addressing the 1978 annual conference of the Chartered Institute of Transport, listed a number of requirements from a transport user's point of view... to be regarded as a customer with all that implied, to have a convenient service, one with a high degree of certainty, one compatible with

all modes, one that is safe and also creditable. And it was the most important factor?

Said Knowles: "If I had to choose of important factors, it would be that of certainty."

The conference system is a great asset, of course, a certainty."

As the Commissions Inquiry reported, it offers a service which is planned in advance, at standard freight rates, open to all irrespective of the size of shipments and with participants competing on grounds of quality, which is not price.

A good quality service wanted far more than a low service by most export-importers.

As far as price is concerned, producer boards in New Zealand have been keen to freight rates, open to all, unlike the situation in Australia where only one has been successful in its application for an 11.25 per cent increase in domestic fares.

It seems like every time a traveller gets on a domestic flight, the fare goes up. But even though Air New Zealand is 100 per cent Government-owned and rightfully all taxpayers are shareholders, the public may never know the full story of why it has been necessary for the airline to increase its fare by so much so often.

In its submissions before the Air Services Licensing Authority in Auckland, Air New Zealand claimed that it was a private company that had a business to operate.

The Licensing Authority granted its request to withhold a profit statement for the airline's domestic services and its 1978-79 budget from the press.

But because the airline offers a good service (a generally acceptable point) at a reasonable, debatable point, it means there is no improvement, no room for another line on the rate.

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# State corporations ignore public interest

Economics Correspondent



THE ECONOMY

Justifications to charge for the provision of Government services. Charging can act as a rationing device to prevent the wastage of a product. For example, if there was no charge for visiting the doctor, people might have a tendency to waste his time with minor ailments.

The Government naturally finances those things from taxation where it is unclear who benefits. For example, education may benefit people other than students (it has external benefits) so it is financed out of taxation.

Electricity and air travel, however, are clearly private goods.

Those people who pay for those services benefit from them. So the charges for the services of the Ministry of Energy Resources and Air New Zealand should perhaps reflect the user pays principle, but should these Government trading departments make a profit?

Economists argue that to ensure that all resources are put to their best use in an economy, it is necessary to charge the users of any good or service the full cost of providing that particular good or service.

To answer this question, the taxpayer must be able to analyse the financial statements of Government corporations.

Finally, when it is possible to establish a clear relationship between the private benefits

from consumption of a good or service and the charges levied

for it, financing by way of user charges is a more painless system than financing from general revenue such as

by some Government trading

undertakings give rise to profit figures which are somewhat

A member of the public who is interested in judging for himself whether the Government is running its enterprises in the best public interest, may buy annual reports from the Government Printer.

But it may be some time before said members of the public can fully understand what is going on from the annual reports.

And, if Air New Zealand is anything to go by, it appears that Government corporations like things the way they are.

While members of the public are paying through accounting texts trying to understand increased charges are justified, they won't have the energy to fight internal airfare increases, electricity bulk charge increases and increases in postal charges.

NEXT WEEK: Economic correspondent analyses the annual report of the Ministry of Energy.

**The pallet racking system that keeps pace with every step of a possible 3-stage expansion plan**

Hamilton Perry storage—as your NEEDS alter, your RACKING alters!

Whether a storage system is being designed for your present premises or a brand new complex, it's still most important to keep future expansion plans in mind. You'll save time and money by making your initial installation a Keylock 3-stage planning:

**STAGE 1** A convenient and economical installation, efficiently serviced by counter balanced truck

**STAGE 2** Change to narrow aisle racking with suitable reach truck when volume increases and hi-rise handling becomes necessary.

**STAGE 3** The move to a complete narrow aisle system, with fully guided truck operation. This utilises storage space extremely fast and functional, because the driver has no directional driving problems and the truck loads sideways instead of forwards.

**MOST IMPORTANT OF ALL, NO REPLACEMENT OF THE INITIAL KEYLOCK RACKING IS REQUIRED TO FACILITATE ANY OF THESE CHANGES** — and even if a complete change of location takes place, all the racking can be dismantled and relocated.

**THIS NEW KEYLOCK INSTALLATION WAS SPECIALLY PLANNED TO ALLOW DRIVING FROM AISLE TO AISLE UNDER THE RACKING** — it's a practical method of obtaining considerable extra storage capacity without changing the present operating system.

**It's bolted, NOT welded**

This bolted, braised construction of every Keylock installation is a major reason behind its adaptability. There's NO WELDING OF ANY UNIT TO ANOTHER, so changes to the plan, or removal and replacement of any damaged section, causes much less disruption of far less cost.

**so it's easily adjustable!**

With no welding to restrict you, your uniquely designed Keylock storage system guarantees SIMPLE ADJUSTMENT OF BEAM LEVELS, FRAME HEIGHTS AND DEPTHS. Any alterations to stock volumes or packaging easily accommodated — in fact, racking "tailored made" to both your present and future needs.

**the Keylock Beam Connector**

The load is taken in vertical three on specially designed hooks. A clevis pin is maintained between beam and uprights. THEY ARE FABRICATED IN ONE PIECE, AND NO WELDING OR JAMMING. This unique feature allows easy adjustment of beam levels at 7.5mm (3/8") vertical intervals. To provide additional safety, the beam connector is fitted with an automatic safety lock which engages as soon as THE BEAM IS PROPERLY SEATED IN THE UPRIGHT. The load is automatically held being additionally stabilised during loading and unloading.

**Hamilton Perry STORAGE SYSTEMS**

Keylock Beam Connectors distributed world-wide by Hamilton Perry Industries Ltd., Linton Road, Middleton, Christchurch, P.O. Box 6023, Phone 44-1951, Telex 44-1244.

"It tastes absolutely fantastic. It has temperament and character."

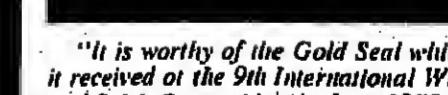


berkellermeister

**"Benmorven is truly a masterpiece."** July 1979



"It can be compared to a German Qualitätswein mit Prädikat - Auslese." Qualitätswein mit Prädikat - Auslese is a designation of quality which appears on the label of a good German wine. 'Auslese' means wine made from selected bunches of grapes.



"It is worthy of the Gold Seal which it received at the 9th International Wine and Spirit Competition in London."

"It has a fresh taste, a strong bouquet and is sparkly (Lively)."

**MONTANA**  
Leading NZ in the world of wine

# Ratepayers' revolution gathers momentum

By Rac Mazengarb

IT'S not quite the earthquake that shook the state of California mid-last year, and observers who pass it off as mere fad may be right.

But those behind the rates reform movement say they mean business and insist they are serious about their cause.

Already the movement in New Zealand echoes more than just a little of the infamous Proposition 13, which was swept to victory in California, then went on to spill into a further 40 American states.

But is New Zealand set for a ratepayers revolt?

Wellington real estate agent Bryan Weyburne is one of the prime activists for the cause in New Zealand.

He says the movement has gained momentum in recent weeks—and there is little sign of that momentum flagging.

So much momentum that the Wellington City Council,

bearing the brunt of a storm of criticism from the Wellington-born Rates Reform Association (NZ) Inc for its mismanagement and extravagance, has tried to draw the heat out of what seems to be developing into a national campaign.

The association took pot-shots at the council in a pamphlet calling on Wellington ratepayers to take a stand.

Mayor Michael Fowler countered with an eight-page rebuttal.

But neither side is prepared to back down.

According to a Rates Reformer spokesman: "Fowler's reply is like a tomb of platitudes. He is defending a dinosaur; when the lights are going out all over Wellington, partly because they are being strangled by rates, he makes not one concession to other centres."

Fowler had said he in fact welcomed the establishment of the association, "and I

believe that the council's many functions are "worthwhile

still do".

"There are some persons in

it who are skilled in their fields

and I respect them," he said.

But he expressed disappo-

timent that the association had "undertaken no serious

study of the council's operations

or responsibilities".

He even accused the

association of "inventing

facts".

The argument centres chiefly around what the functions of a city council ought to be with regard to available resources.

Weyburne and his growing band say the Wellington City Council takes on far too much responsibility in areas beyond its sphere of responsibility.

One member of the

association said his interest

was sparked by "the

disastrous growth of a

bureaucrat giant", which is

more manifest in Wellington

than other centres.

Next phase in the operation

is to penetrate the Auckland region.

Weyburne says the

association hopes to bring

Auckland-based groups under its umbrella.

Lobbying for support is already under way in the northern city.

In the past, taxation bills have tended to be fought in the country by experts in the field. They rarely lead to dramatic changes.

But the rates "revolt" is

"people's" battle, fought by people, linked together for the purpose of good rates increases which they don't regard as justified.

In the short-term the association plans to set up a rates reform ticket in as many centres as possible, to contest the local body elections in those areas.

Proposition 13 was hailed as one of the healthiest things to happen in a long time.

It seems a provocative

argument.

Rate reformers have established branches in Ashburton, Dunedin, Christchurch and Lower Hutt to complement Wellington's activity.

One member of the association said his interest was sparked by "the disastrous growth of a bureaucratic giant", which is

more manifest in Wellington than other centres.

It can continue this practice because it has always had an inexhaustible source of money at its disposal—the ratepayers, say the rates reformers.

But what if the ratepayers refuse to pay?

The Wellington-based Rates Reform Association is calling on ratepayers to make such a stand, because "rates have become so high that they are now threatening the economic existence of those who provide them".

The association claims Wellington is one of the highest rated cities in New Zealand. Yet only one citizen in four is providing all the city's finances.

Further, it claims, no attempt is being made by the city council to reduce overheads while it is involved in projects which are not its responsibility.

The association cites the zoo, the tip, the library, the transport system, housing schemes, welfare services, the "over-bloated" staffing situation and other functions which are costing the ratepayer money.

Wellington's mayor Michael Fowler defends the council's position saying that comparisons of rates per head of population have "little validity", since differential rating and the level of services provided are complicating factors.

But this is begging the question, according to the rate reformers who say the rates load is spread unevenly and that just 36,000 ratepayers can no longer be expected to support the entire community.

The association suggested Wellington's situation was approaching that of New York. "What a nonsense statement that is", came the reply.

Council members were experienced in money matters and would never allow such a position to arise, Fowler said.

But the rate reformers say wasn't New York? And what about Securicor and JBL?

Fowler contends such comparisons cannot fairly be made.

Overseas, local authorities control functions such as health, welfare, education, fire services and the police. These are the areas which have brought financial problems.

"None are the functions of local government in New Zealand," he said.

The association recently gave examples of businesses which were having difficulty paying the rates of the commercial areas.

Fowler said the information was "irrelevant". In most cases rates did not form a significant segment of business operating costs.

A large slice of rates went toward maintaining the public transport system which brought businesses to the commercial area, he said.

## EDP joins consultants

A JOINT venture commenced the other day between PA Management Consultants and J P Scott & Associates. The project will provide PA with access to indigenous software expertise, while equipping Scott with the capability to handle management oriented projects.

The arrangement will enable both companies to offer their clients a more complete range of skills and therefore be of considerable mutual benefit.

In most other countries where the PA Group operates, it has founded its own wholly owned subsidiary PACTEL to specialise in EDP work. The possibility of setting up a PACTEL operation in New Zealand has been explored but lack of suitable local staff has proved to be a major problem said PA managing director Barry North.

Several EDP projects to date have been managed with staff brought over from Australia, but this has sometimes caused operating difficulty with staff working 1400 miles from home.

It quantified the DP staff supply as 20 per cent short of current demand. The report recommends some "short-term" solutions to the problem, says the council's executive officer, Clarry Webber, but its detailed content will not be made public until after the presentation to Cabinet.

Fowler's reply: "I and council will be happy to central government to adequately finance this but until such time as it happens..."

Wellington City Council supports a city solicitor office, a city valuer and associated staff.

Rates reformers say—fact out this work to private firms as is done in other cities.

"What is not appreciated is that Wellington City Council is a big business with a turnover of \$120,000,000 per annum", Fowler said.

"We need professionals people available and involved... the services provided by the professionals in the private sector is not as convenient", he said.

The list of gripes goes on:

- The town hall effect.
- Several new schemes planned by the council are cited as "expensive jungle not economically viable".

- It is not the function of a city council to own nearly \$1 million worth of property especially when it is bringing in a fair return.

- Government projects do not contribute fairly to revenue;
- Payments in lieu of rates do not allow for buildings on railways, hospitals, schools and Parliament.

- The joint venture took off at the beginning of September and already prospective clients are negotiating with the companies.

## DP sector seeks staff

WHILE other sectors of industry are faced with threats of unemployment as a result of advancing computer technology, the DP business

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Central Government

It will be interesting to see whether CAC and Government deliberations come up with any better ideas; perhaps, as one agency director once suggested, a reinstatement of the assisted passage to New Zealand, specifically for DP personnel.

## POWER TYPING . . . Italy offers latest entry

Moosberger said the company had originally intended to come for only part of the fair's run, but, in the face of good response, decided to stay for the whole period.

They are competing in the market against companies better known as computer suppliers; for example Hewlett-Packard, with its 980 series.

Nevertheless, some market penetration has already been achieved, with the Post Office taking delivery of several 6000s last year.

Good response was reported at the fair, but most of the public's attention, not surprisingly, was being devoted to the "power typing" equipment.

The TES machines with their lack of a large screen, have already made the line between typewriter and word processor hard to draw. The ET 221 goes even further in the typewriter direction, omitting the other obvious "computer" feature, the floppy disc storage.

A banner proclaimed "The Microprocessor—Tomorrow's Technology Today. Unfortunately, while plentifully equipped with literature, the stand was devoid of company representatives on the three occasions NBR visited it.

## Mas Gives:



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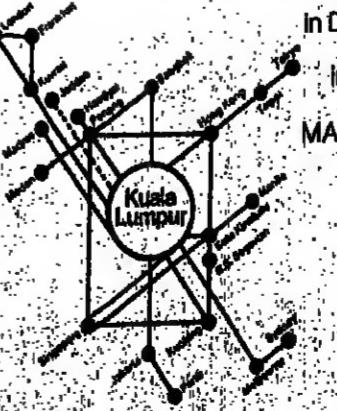
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A282

# NBR BUSINESS WEEK

## Financial advertising up for control exercise

by Peter V O'Brien

THE Securities Commission's 128 page tome — Background Paper on Financial Advertising Control was released last week as a guide for those who want to make submissions on proposed regulation to control financial advertising.

The background paper contains the commission's suggestions on broad areas of activity which could be looked at by those making submissions, who should indicate their intention to the commission by September 30. (If the commission continues to

issue "backgrounders" of this size its records space will need extension.)

The background paper (available from the commission for \$10) is too extensive for detailed examination in an article, but some sections are worth comment. Referring to offers of securities to the public, the document says:

"Those who make offers to the public take pains to develop a good name — a warm public image. They do it by advertisements, but more subtly perhaps by 'inspired'

programmes on radio and television and by agreeable references in the press. What is here to come under legal control? Amongst those who know the financial scene, an intensified campaign of image-building is a well recognised danger signal. Do we broadcast that fact, and leave it there — or do we want a law upon it, and if so, what law?"

"There is a lot of money in all this. Advertising is a substantial source of revenue for the media, for advertising agents, mailing agencies and New Zealand Banking group are planning share issues to

the public. We would like to hear from others. Examples of practices regarded as objectionable will interest us — we are collecting some — and would like more".

The question of these preliminary "presentations" may create problems for the commission. The build-up involved in the issue of shares to the public is an example.

At present two organisations, Fletcher and Paykel and the Australia and New Zealand Banking group are planning share issues to

the public. It is no reflection on those financially sound and well managed companies to say that their issues are awaited with growing expectation.

The expectation arises from preliminary announcements and comments that such action is proposed. The investing public, therefore, can be expected to take considerable interest in the issues, and to look for participation even before a prospectus is filed.

Every shareholder and financial advisor will tell a potential subscriber to wait until the details are known about terms of issues, particularly at times when alternative investments may be attractive.

It is a far fact that well-publicised share issues from strong organisations will lend some people to grab an application form, with minimal reading of the offer documents. Again that is no reflection on the companies making the offers, because the prospectuses carry easily readable warnings that the document should be discussed with a professional person.

The problem is where to draw the line between legitimate publicity and exercises designed to ensure a successful float, which can overstep the boundary of legitimacy.

Self-regulation is a second matter under commission consideration. The background paper says the commission would welcome submissions from interested parties as to the role of self-regulation both by the media and by advertisers and their respective organisations.

Reference is made in a Canadian report, attached to the paper, which rules the suggestion that there should be power to require a named entity to file with an administrator all sales literature and advertising material at least seven days prior to its use. The commission asks whether this would be a useful suggestion for New Zealand.

The rules of the English Independent Broadcasting Authority on financial advertising are also attached to the paper.

They are interesting, because they prohibit the use of "celebrated entertainers, writers or sportsmen" to present, endorse or recommend any investment or savings offer. It is a note, New Zealand Government when advertising your cash loans and savings stocks.

The commission has set a "stage two" of the regulatory exercise the question of

## Analysing annual accounts

by Peter V O'Brien  
WILKINS and Davies Construction Ltd improved its performance in the year to March, but the condition of the annual report needs further improvement.

The document released last week is deficient in several areas which would interest shareholders. Perhaps the partial acquisition by Fletcher Holdings Ltd might remedy some of the defects.

There is no elaboration of this figure in the report, so the reader is left to wonder if a fall in the value of contracts yet to be completed will affect the company's performance this year. It may not, but in that case the report should say so.

In view of the natural preoccupation with industrial relations, including the notorious Mangere Bridge problems, it is not surprising that the chairman's review should concentrate on those matters.

Room could have been found for comments on changes in the financial condition, particularly as eight pages of the 26 page report comprise photographs of completed or proposed construction projects.

It would be useful to have an indication of detailed expense incurred in earning the year's operating, although that omission is common in New Zealand company reports.

Turnover dipped twice in the 1970's; in 1972 and 1977. Taxation is the firm's master which needs attention in future reports.

The report has credit features, including an interesting graphic description of movements in capital, shareholders funds, turnover, assets employed, net profit, capital profits, and earnings rates.

The profit and earning rate graphs have substantial upwards and downwards shifts in recent years, reflecting the company's difficulties in earning a satisfactory return on its work, and in an industry which has been under pressure.

Even turnover dipped twice in the 1970's; in 1972 and 1977. Taxation is the firm's master which needs attention in future reports.

Various adjustments are explained in the notes to the accounts, but insufficient figures are produced to work out what concession and adjustment relates to which aspect of the company's activities.

\$2.7 million. The net figure comprises \$45,556,000 (1978, \$37,273,000) as "valuation of work in progress" less \$42,541,000 (\$33,370,000) for "progress payments received", leaving a balance of \$2.7 million (\$3.8 million).

There is no elaboration of

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in the value of contracts yet to be completed will affect the company's performance this year. It may not, but in that case the report should say so.

In spite of a \$1.2 million decline in work in progress, current assets went up \$50,300 to \$508,501.

A \$800,000 lift in bank balances and cash on hand, and term deposit of \$753,379 in 1978 were the main reason for the increase in current assets, although a \$430,000 increase in debtors fell from \$3.8 million in 1978 to any problems.

It seems desirable that a potential subscriber to wait until the details are known about terms of issues, particularly at times when alternative investments may be attractive.

Should people in such positions disclose whether they or their investment committee and so on hold shares which they recommend, to avoid any possible misunderstanding?

Administrator Dr Michael Joneson concedes that the game is already intensely competitive as teams endeavour to maintain sales volumes by lowering prices and using maximum marketing effort, including use of consultants.

Teams overpricing their product have also lost out badly, as the market has proved very sensitive to price.

Although some teams have already made substantial losses, most are still managing to make modest profits.

The best performance to date is that of A King & Associates of Lower Hutt whose total profit is \$5,210 million, the largest of any team so far in the round.

However, General Foods were possibly in the most secure position with a comfortable lead of \$700,000 over their nearest rivals, Richardson-Merrell in the Auckland section of the game.

Dr Joneson commented however, that many games were very close and quite a few upsets could be expected by the end of the round on September 29. The 20 winners proceed to round three in October. The two leading teams in each game are given below.

GAME LEADING TEAMS ACCUMULATED PROFIT IN \$000s

Auckland Region

RA1	Aulicbrook's Ltd, (Auckland)	3813
RA2	Beecham Research Labs	3704
RA3	E Andrews	4300
RA4	IDAPS Computer Science (NZ) Ltd	4043
RA5	MWD, Auckland	4141
RA6	5 Felton Furnishing Group	3930
RA7	Fibremakers NZ Ltd, Team 1	3645
RA8	J & R Streven Ltd, Team 1	3608
RA9	General Foods Corp NZ Ltd	4118
RA10	Richardson-Merrell Ltd	3358

Auckland & Central North Island Region

BF1	Tasman Pulp & Paper Co Ltd, Team 1	3402
BF2	UEB Industries Ltd (Papatoetoe)	3333
BF3	Tasman Pulp & Paper Co Ltd, Team 3	4917
BF4	MSI Corporation Ltd	3918
BF5	East Coast Fertiliser Co Ltd, Napier	4281
BF6	J Walker Canneries Ltd, Hastings	4093
BF7	Hastings City Council, Hastings	3650
BF8	2 Whiston Wallboards Ltd	3908
BF9	MWD, Turangi	4018
BF10	Tasman Pulp & Paper Co Ltd, Team 2	3886

Wellington Region

BL1	MWD, Head Office	3305
BL2	Ford Motor Co of NZ Ltd, Team 3	3303
BL3	Globe Syndicate	3381
BL4	All Plastic Film	3158
BL5	Wellington Chartered Accountant	5041

Wellington & South Island

BL6	Mansell Enterprises	4586
BL7	A King & Associates, Lower Hutt	5219
BL8	Civil & Civic NZ Ltd	4540
BL9	Dept of Social Welfare (Head Office)	4448
BL10	B McCulloch & Associates	3941

Dominion 4 Team Game

5573

3443

4938

4588

4282

4159

3747

3297

2987

2738

20001/A

00001/A

# Tree-sitters teach merchants a lesson in unity

by Peter V O'Brien

The Associated Chambers of Commerce has a problem. It was summarised by executive director Alan Simm, last week in a luncheon address to the Newmarket Rotary Club in Auckland.

Referring to his view that businessmen have an "entitlement" to run a profitable business, Simm said:

"Would you fight for that entitlement? People sit for days in trees to save a forest. Acts of Parliament are passed to protect fish and birds. People march in the streets and hurl stones and abuse for a variety of so-called rights. Politicians fight to spend more and more of your tax dollar on any level of social welfare, accident compensation, education, or health benefit that a vocal electorate cares to demand."

(It should be noted that Simm's 17-page speech said a lot of other things about the current real profitability of business; union muscle; and the philosophy of profit related to efficiency and the overall state of a healthy economy. But there is an issue involved which goes deeper than those questions.)

Simm hit on (perhaps subconsciously) the matter of unity. That is a concept which is lacking in the people who wants to stand up — and fight.

The people he talks about who "sit in trees" know the value of unity. The unions know the value of unity. A union operates — when the regular stupidity is removed — on the principle that the weakest must be defended, and that the strongest exist to protect the weakest. That may work out differently in practice in particular issues, until a power-seeking union officer may take advantage of the principle for his own aggrandisement, but it is the core of unionism.

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What happens on the other side? The nature of the system breeds the opposite view. Weakness in business is (or should be) the result of a lack of competence, and/or an inability to react to competition. Weakness and/or competition will result in inefficient users of resources getting out of the system and allowing others to use the resources more efficiently to the benefit of all.

Both philosophies are pure, and never work in practice. The lack of unity among the private enterprise bodies is a major reason. They could take a lesson from unionism, and from private enterprise organisation in other countries.

The Federation of Labour is a Federation. Its executive is elected, albeit after considerable political lobbying, from people who have got to the top of their supporting organisations, again after various forms of politicking.

The Chamber of Commerce are fond of using the expression "the merchants paved the way" (also the title of the history of the Wellington Chamber of Commerce).

The merchants did pave the way — once. The "merchants" who ran their businesses more or less in the style of today's chief executives, were also the senior officers of the Chamber.

In 1979, the President of the Associated Chambers is a branch manager of a bank.

Therefore (with respect to the President), who is taking up a task which may be turned down by others, the senior spokesman for New Zealand business is an officer of a large organisation.

Who isn't the bank's chief manager? The President of the Chambers? Answer: because his talents and time must be devoted to the basic business of the bank.

Fred Turnovsky of Tarn Leather is President of the Manufacturers Federation, and a notable success story of a man who came to New Zealand from a difficult European situation. But do Turnovsky and his fellow councillors carry as much financial and other clout as, say, a combination of chief executives from NZ Forest Products, Lion Breweries, Fletcher, Challenge Corporation, the meat companies, the dairy industry (admittedly co-operative), and half a dozen

other companies? They speak for, and represent, all manufacturers, but there is a subtle distinction.

Then we come to other organisations. The Employers Federation; the Retailers Federation; the Finance Houses Association; the Bankers Association; the Life Officers Association; the Insurance Council; all the specialised trade

organisations and Federations; the stock and station agents' association and so on.

There is an answer. The merchants should pave the way. In Germany it is compulsory for all business organisations to be a member of a "Chamber of Commerce". In New Zealand all the private enterprise supporting groups

should form a Federation (or if the Associated Chambers of Commerce, if you wish; some other name would serve the purpose). The Federation would comprise the leaders of the constituents.

Then your "national" council" would be unified and much stronger than the parts. If that happened Simm would not have to wander the country as a missionary to the specialised trade

from the tree-sitters.

cynical faithful (not really paradox). Some room could be made for the small guys to avoid "big business" dominance. Under the present system why should the "merchants" getpecialised involved, when they may have other methods to cut through the pressure group system and "pave the way"? Besides, con learn from the wisdom of the tree-sitters.

## Cash issues flow back into fashion

by Peter V O'Brien



### INVESTOR INSIGHT

THE cash issue is returning to favour. Freightways Holdings Ltd (NBR, September 12) was the first company to make a premium issue this year. Last week Healing Industries, the Auckland based bicycle and industrial coating manufacturer and engineer, announced a one for four cash issue at a premium of \$1.50.

The Freightways issue has considerable benefits for shareholders. The Healing directors have been less generous, although there should be good rights trading, given the present high price of the company's shares and a cashy record.

Healing shares sold at \$3.45 before the announcement of the issue, after reaching \$3.85 earlier in the year. The "low" for the year was \$2.70. The 1979 dividend was 17.5 cents on the \$1 units, so at \$3.45 the dividend yield is 5.1 per cent.

This is a growth company's rating in the present market, where leading companies are yielding more than 7 per cent.

The total price of the new shares will be \$2.50, to give existing shareholders a yield of 7 per cent if they take up the rights. While the yield may be modest, it is a considerable improvement on the figure if a buyer enters the company at \$3.45.

The rights are valued at 76 cents on the basis of a head share price of \$3.45, before allowance for a dividend difference, being the interim payment due in respect of the six months to September. Last year that payment was 6 cents a share, but the final dividend was increased 1.5 cents to 11.5 cents, so the company may reduce the gap between the two this year. Assuming that the dividend difference is 6 cents, the theoretical rights

yield is removed. For the purposes of the total interim dividend usually paid in February, this has been ignored. The table sets out the rights price, total cost, and dividend yield (based on a fall 17.5 cents) over a range of cash rights prices. Anyone wanting to calculate the position of the new shares until the dividend difference is removed can take 6 cents from the rights and ex rights prices and assess the yield accordingly, over the holding period.

Healing has performed well in recent years. The company was listed in 1969, and net profit in the year to March,

1970, was \$48,150 on a share capital of only \$40,000. The earning rate was 13.8 per cent on capital in 1970, but since every year with the exception of 1977, when a substantial rise in profit had to be equated with share capital increased at the end of the year through a takeover).

In the year to March, 1970, the company earned \$1,077,000, on capital increased to \$2.25 million (including specified preference shares) after a one for five bonus issue during the year. Profit jumped from \$720,869 in 1978, but the tax provision was \$582,000, compared with \$171,400 in the previous year. Pre-tax profit went from \$892,000 to \$1,659,000, an increase of 75 per cent. The capital was increased at \$3.26, again until the interim

price at \$3.45 would be the 70 cents, the ex rights price of the new shares would be \$3.20 until the year-end.

The merchants did pave the way — once. The "merchants" who ran their businesses more or less in the style of today's chief executives, were also the senior officers of the Chamber.

The company has done well, with sales ahead of corresponding period of 1978.

Provided the excess avoids a similar downturn, Healing should do well in the future. The 1979 year end tax losses system of tax losses

exports is likely to give the company another boost. Group another boost. The bicycle market should do well, among a population becoming more energy and the more conscious.

The cash issue will give existing shareholders a modest gain, and potential members to enter the company at a little below current market level.

Note: The writer owns, nor has any beneficial interest in the company.

Shares in Healing are held by the professional association for the dividend on those

for the dividend on those

the company.

Treating the specified preference shares as converted to ordinary shares, the earning rate on the total capital (excluding a provision for the specified preference dividend) was 4.1 per cent.

If the specified preference shares were excluded from the capital, and a deduction made for the dividend on those

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## NBR SHAREMARKET SURVEY

WEEK ENDING SEPTEMBER 13, 1979

	Last Sale	Week's High	Week's Low	Dividend	Reported	Dividend Yield	P/E Ratio		Last Sale	Week's High	Week's Low	Dividend	Reported	Dividend Yield	P/E Ratio
<b>1979 HIGH LOW</b>															
115 100 ASBANK, S.D.C.	105 225	112.0	105.0	5.2	4.5	72 53	J.WESFORD SOC	62 64	60 60	16.0	600	12.5	1.4		
230 90 A.J.WHITE	100 100</td														





# EXPORTING

## Export Institute pushes for more professionalism in exporting

THE Export Institute's third national marketing seminar in Rotorua brought together more than 140 keen exporters for an intense three-day session.

The topic — towards greater professionalism in exporting — was handled in what one delegate aptly described as a meeting of academic management and marketing theory with practical experience.

Professionalism was the keynote, and Export Institute director Rosa Southcombe set

a fast, no-nonsense pace, assiduously followed by the attendees.

Speakers were drawn from private companies with notable export success — AHI, Mason and Porter, Hallmark International and others. On the theoretical side, academics such as Massey University's Steve Bridges and Professor Kenneth Simmonds provided management, marketing and systems approaches to exporting.

Talboys talked about the rapid shift in New Zealand's exports over the past 20 years

sector. Only three hands went up to a call for delegates representing this country's largest exporters, the primary sector.

Foreign Affairs and Overseas Trade Minister Brian Talboys opened the seminar with a pep talk on the need to export in order to provide for current New Zealand consumption of imports and for our future national expectation.

Attendees were mainly from the manufacturing

— from reliance on a few products exported to traditional markets, to the present diversification of both products and markets.

In 1964, manufacturer exports constituted only 1 per cent of total exports; last year manufacturers made up 25 per cent, Talboys said.

From a reliance on secure traditional markets, New Zealand exporters had done "wonderfully well" in diversifying into new markets. Breaking in new markets, particularly in Asia — where

the exporter could not assume that tastes, traditions, and cultural likes and dislikes were not those known at home — was not easy, Talboys pointed out, and required a greater degree of professionalism.

Exporters have had to acquire this sort of experience in a short space of time, and their success was, Talboys said, "a remarkable effort in anyone's language — a tribute to their hard work and professionalism".

Praise aside, Talboys had a few hard words for what he called the "Disneyland businessman" who "in Los Angeles and other parts of the world would miss appointments because they clashed with the only free time he had".

Talboys said he saw the Pacific basin as our market. This area, with which New Zealand has geographical links, has the world's fastest growing economies — "the ginger group of world economy", Japan, Taiwan, Singapore and Korea.

While these economies held potential for the New Zealand exporter, they were "not just going to happen", Talboys said: exporters face the best in international competition; success there requires professionalism and research to see where New Zealand fits into those countries' development plans.

Back on the home front, Talboys stressed the need for overseas investment in developing our economy. Those who oppose overseas investment here forget that the industry which is here now is largely the result of overseas investment.

Countries like Malaysia and Singapore were developing with the aid of overseas investment: "What they are doing is saying if you won't do it, we'll do it for you and show us that you have commitment," he said.

Production Engineering Company Ltd of Marton has won a prize of \$2000 in the 1978 Atlantic Export Marketing Awards.

Production Engineering, a company specialising in high technology, won the award for its EMPEC-2 petrolium pump, together with its console based on microprocessor technology, able to dispense automatically. Export earnings from the pump are up 300%.

I D Edgar and Sons, Pinelands, sold Delta Plastics Ltd each won export awards for \$1250.

Pinelands pioneered export of blackcurrants, and is now achieving success with exports of packaged osmanthus and aperogous.

Delta Plastics won its award for exports of flexible animal earings.

Four companies won awards of \$750 each — Nu-Dot Systems Ltd for its pneumatic conveying systems; R. A. Graham Ltd for its steel staircase made from New Zealand timbers; Norwest Industries Ltd for export of kiln-dried garments; and Roofing International for exports of roofing tiles.

An award of \$500 was won by Centra-Shore Developments Ltd for exports of its related services, a service which provides solid solutions from design to water-treatment plants.



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## The export business: like a game of chess but just a little harder

PROF KENNETH SIMMONDS, formerly of Wellington and now Professor of International Marketing at the London Graduate School of Business Studies, tossed firecrackers in all directions and brought a gleam to the eye of many exporters — the gleam that sees a lot more opportunities than they'd seen before. If they take up more than a fraction of his talking points, N.Z. has a bright future.

Simmonds' theme was global marketing with a weather eye on the competition. And exporting is merely the first step on that road.

Just for starters, Simmonds criticised the current export orientation of New Zealanders. "N.Z. can't export everything to everyone," he said. He believes that attitude may indeed yield short term profits but will result in long term failure for the very good reason that the New Zealand base is too small to support a world-wide business. He believes New Zealand

business cannot afford to see this country as their jumping off platform. He pointed out that in 1950, Cables (now CPD) was a big company and equivalent to the American company, Cummins. Now, nearly 20 years later, Cables are still nearly the same but their American counterparts are gigantic.

Discussing the necessary scale of operations required to succeed at a global level and the risks associated with assuming those scales, Simmonds told the New Zealand exporters that they must be prepared to sell on a scale which was far in excess of New Zealand and Australian combined needs — for the very good reason that somebody over there already is.

He argues that the assumption of aggression and risk in global markets will inevitably erode whatever barriers are placed in their way.

In the global battle for markets, those that remain are on a global scale, he said.

Simmonds believes that

recent work done by the Boston Consulting Group's development of a global experience curve, simply shows that the person who has more experience in a particular industry or operation will have lower costs.

He maintains that the real test of firms and people in international markets is their viability in the face of competition.

'Marketing sees the world as a zero sum game,' maintains Simmonds. In other words the world is not only a limited place, but one in which somebody is going to lose.

"Marketing is about beating him." Marketing is playing the game against specific competitors, in the light of their moves.

In the light of this, Simmonds is critical of current accounting practices. Most of what we study in accounting is irrelevant, he says. "It may be good training for some jobs."

In which market, asks Simmonds, will it be most readily achieved. His first criterion is 'the greatest achievement at the highest profit.' Does Simmonds have a prescription for New Zealand?

He believes that New Zealanders should accept first of all that they are citizens of the world. N.Z. isolation must be broken down. The country must be opened up to the world, as must the economy. Air fares should be halved to make it easy for New Zealanders to become citizens of the world.

He points out that since N.Z.'s isolation is an attraction to foreigners, they should be permitted relatively free entry into New Zealand. He thinks that New Zealand's global businessmen should accept majority foreign stakes in N.Z. joint ventures. Moreover, foreigners should be taken on to New Zealand payrolls.

Likewise, to a greater extent, New Zealanders should be prepared to live in the markets in which they're trading. "You are in a global market," he says.

Simmonds' definition of strategy is refreshingly simple. "This is what I'm doing to beat a competitor." He points to the current international fashion to see marketing in terms of intercorporate warfare. "How do we defeat the enemy?"

For an academic, his views on the development of strategy are remarkably pragmatic. "The name of the game changes while you watch," he says. He points out that

business is never normal because it's never the same. He believes there are no principles in business. "It is more like chess, but a little bit more difficult."

How is the businessman to classify his target markets?

Simply because multinational units are in nation states which have reasonably comparative uniformity, he suggests they may be assessed by nations and shares of national markets. But he's critical of what he considers to be a mistake made by New Zealanders, namely that New Zealanders look at the New Zealand market first, then Australia, then the rest. In the same way, he points out that the U.K. ignored the U.S. market. Thus, ICI had no global strategy until 1964, by which time the American firm, W.J. Grace, had come from nowhere to clean up in the United States.

Very sensibly, Simmonds recommends going for the biggest and best opportunities first.

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vanta need to be well trained as motivators of human marketers and experienced marketers.

He believes that integrity is an important quality which must be nourished at all costs. "It's one of the proudest things N.Z. has," he says.

Simmonds' perception of the influence of the marketplace on all the functions of the business are sweeping indeed. "All the functions are conditioned by the marketplace," he believes.

And referring to the relationship of the business to the people managing the distribution of its products he says, "All the stages in the chain from you onwards, are yours."

"The old idea of the agents not being controlled is out the window."

"Exporting," points out Simmonds, "isn't a cultural business." It is particularly important to New Zealanders who still have a long way to go to learn that the first element in a global marketing plan is to understand the rules of other cultures.

"These other cultures have a vastly different set of rules," he paints out, citing the catastrophe experienced by Campbell's Soup in the French market.

He asked New Zealand businesmen to be aware of the significance of culture shock. To the new resident in a foreign country it can cause depression and withdrawal. And both of these lead to poor performance in the workplace.

Simmonds does not see New Zealand's small size as a problem. "I don't think you should be scared of large businesses with 20,000 people in one building. Why should we be scared of putting big numbers together," he asks.

He suggests that New Zealanders could operate like the Scandinavians where they have large numbers of people stationed in overseas branches. "What's stopping New Zealanders from managing foreigners' affairs."

Perhaps Simmonds' major point for New Zealanders is that in the end, survival will go to the fittest. Today, everybody knows what constitutes marketing and therefore the person who survives is the person who can do it better and more cheaply than anybody else.

## Choosing an export agent

NEW ZEALAND exporters place too much emphasis on getting the first trial order with a potential distributor.

ALBY THORBY is group export manager of Mason & Porter Ltd in Auckland. He contends that most export blunders occur because unprofessional methods have been employed to select and appoint agents ...

and pay scant regard to research into the long-term compatibility and potential of the arrangement.

Many exporters regard the willingness of a company in a new market to accept an initial order as the sole criterion for appointing that company as its sole agent. This is extremely dangerous, but it is the prevailing attitude.

Production Engineers, a company specialising in high technology, won the award for its EMPEC-2 petrolium pump. It is accepted by resellers that price can be the greatest motivator in creating store traffic. But price does not rate nearly so highly at the point of purchase. Unless you and your agent agree on this principle, I do not believe that long-term business can be established for New Zealand manufactured goods — we are viable in the value-for-money, top segment of the market — not the mass-produced, fickle, bottom end of the market.

He therefore believes that today's purchasing officers must be able to think in terms of their competitors' strategies. He feels that the function of purchasing these days is vital because an essential ingredient of competitive strategy is being able to buy cheaper than the competition.

More, it's going to include the capacity to put a competitor's material costs up, while keeping one's own costs down.

Simmonds' definition of strategy is refreshingly simple. "This is what I'm doing to beat a competitor." He points to the current international fashion to see marketing in terms of intercorporate warfare. "How do we defeat the enemy?"

For an academic, his views on the development of strategy are remarkably pragmatic. "The name of the game changes while you watch," he says. He points out that

there are some examples of a package which will help your agent to do his job:

a. Credibility film  
b. Product Fact Pack  
c. Policy Fact Pack

d. Promotional Material and Policy which is easy to use, with rules in writing. In-store films and point-of-sale material should be supplied where applicable, along with language brochures and a corporate identity manual.

5. Understanding Long- and Medium-term Goals: You must agree with your potential distributor on his and your goals for progress in terms of profitability, volume, product range and diversification.

There are a number of factors which if taken into consideration will improve your chances of appointing the right agent.

1. Attitude: Make sure your attitude and the attitude of your prospective distributor or agent are compatible on the following points: quality; competitive strategy; company credibility — his and yours; test marketing; payment; delivery times; scope of distribution; your right to involvement in product launch.

2. Viable Commitment: both parties, cost shared by exporter and importer.

3. An introductory price and promotional package, with a clear cut-off date and a stipulation that an extra margin is not to be used for retail sale.

b. Manpower — executive and sales force. Preferably a tabulated and agreed level of personnel, a device which screens, a device which would be a considerable higher ratio than what profitable trading is all about.

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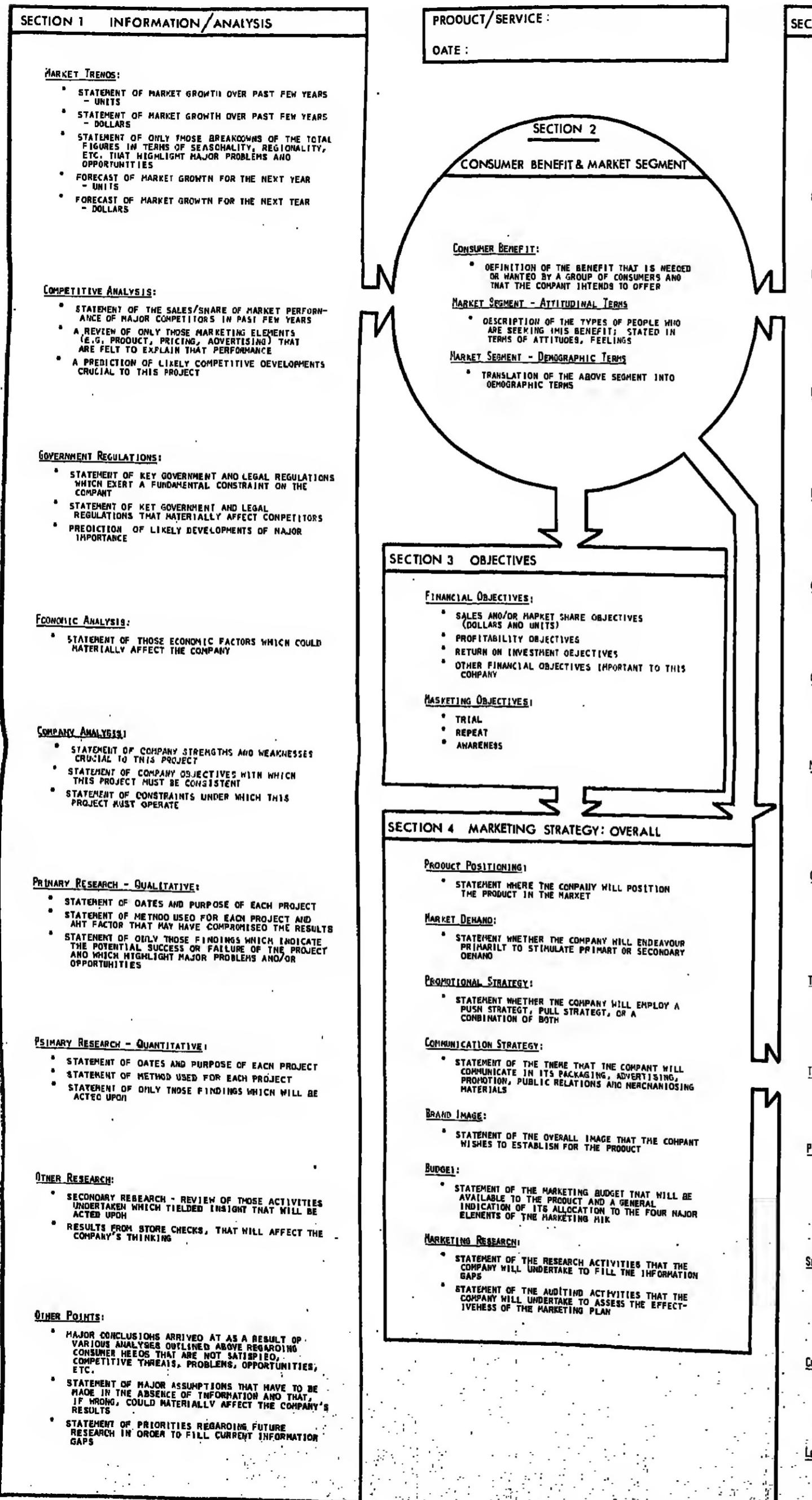
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31. Payment terms.

32. Payment terms.

### Marketing Plan Flow Chart



by J.S. Bridges

### SECTION 5 ELEMENTS OF MARKETING MIX

- PRODUCT: STATEMENT OF WHAT THE PRODUCT MUST DO AND COST
- STATEMENT OF THE MAIN COMPONENTS OF THE PRODUCT
- STATEMENT OF THE MAJOR FEATURES (PRIMARILY THOSE PROMISED)

#### PRODUCT NAMES:

- STATEMENT OF BRAND NAME AND RATIONALE
- STATEMENT OF GENERIC PRODUCT NAME AND RATIONALE

#### PACKAGING:

- INDIVIDUAL PACKAGE — STATEMENT OF OBJECTIVES, PLUS STRATEGIC FACTORS, COST OBJECTIVES AND RATIONALE
- INNER — STATEMENT OF OBJECTIVES, MAJOR STRATEGIC FACTORS, COST OBJECTIVES AND RATIONALE
- OUTER — STATEMENT OF OBJECTIVES, MAJOR STRATEGIC FACTORS, COST OBJECTIVES AND RATIONALE

#### PRICING:

- STATEMENT OF PRICING OBJECTIVES
- STATEMENT OF PRICING STRATEGY
- DEFINITION OF PRICING STRUCTURE EX FACTORY TO CONSUMER

#### DISTRIBUTION:

- STATEMENT OF DISTRIBUTION OBJECTIVES
- STATEMENT OF DISTRIBUTION STRATEGY
- STATEMENT OF DISTRIBUTION TACTICS

#### CONSUMER ADVERTISING - MEDIA:

- STATEMENT OF MEDIA BUDGET
- STATEMENT OF MEDIA OBJECTIVES
- STATEMENT OF MEDIA STRATEGY AND RATIONALE

#### CONSUMER ADVERTISING - COPY STRATEGY:

- STATEMENT OF COPY OBJECTIVES
- STATEMENT OF MAJOR ELEMENTS OF COPY STRATEGY AND RATIONALE

#### MERCHANDISING:

- STATEMENT OF MERCHANDISING OBJECTIVES
- STATEMENT OF MERCHANDISING STRATEGY (INCLUDING ELEMENTS TO BE INCLUDED IN MERCHANDISING MIX) AND RATIONALE
- STATEMENT OF MERCHANDISING BUDGET

#### CONSUMER PROMOTION:

- STATEMENT OF PROMOTION OBJECTIVES
- STATEMENT OF PROMOTION STRATEGY AND RATIONALE
- DESCRIPTION OF PROMOTION TACTICS
- STATEMENT OF PROMOTION BUDGET

#### TRADE ADVERTISING - MEDIA:

- STATEMENT OF MEDIA BUDGET
- STATEMENT OF MEDIA OBJECTIVES
- STATEMENT OF MEDIA STRATEGY AND RATIONALE

#### TRADE ADVERTISING - COPY STRATEGY:

- STATEMENT OF COPY OBJECTIVES
- STATEMENT OF COPY STRATEGY AND RATIONALE

#### PUBLIC RELATIONS:

- STATEMENT OF PUBLIC RELATIONS OBJECTIVES
- STATEMENT OF PUBLIC RELATIONS STRATEGY AND RATIONALE
- STATEMENT OF MAJOR PUBLIC RELATIONS TACTICS
- STATEMENT OF PUBLIC RELATIONS BUDGET

#### SELLING:

- STATEMENT OF SELLING OBJECTIVES
- STATEMENT OF SELLING STRATEGY AND RATIONALE
- STATEMENT OF MAJOR SELLING TACTICS
- STATEMENT OF SELLING BUDGET

#### CREDIT:

- STATEMENT OF CREDIT OBJECTIVES
- STATEMENT OF CREDIT STRATEGY AND RATIONALE
- ESTIMATE OF COST

#### LEGAL:

- STATEMENT OF LEGAL OBJECTIVES
- STATEMENT OF LEGAL STRATEGY AND RATIONALE
- ESTIMATE OF COST

# The marketing plan flow chart: an innovative approach to planning



J.S. BRIDGES, Reader in Marketing at Massey University, introduces the Marketing Plan Flow Chart, an innovative approach to product planning which is tailored to meet the special needs of small companies.

The layout of the marketing plan flow chart (see sample chart opposite) has been devised to discipline the marketer into a logical, systematic approach to planning. It closely follows the structure of marketing plans used by many large companies.

The space devoted to each major element has been carefully determined, based upon observation of other marketing plans and experimentation with the MPFC since 1976, in order to ensure a proper allocation for most products or services. For example, one-third of the space has been devoted to each of "Information Analysis" and "Elements of Marketing Mix" as these subjects typically require more space than others to cover adequately.

To be consistent with readability patterns, the MPFC starts with Section 1 to the far left and then works progressively to the right in columns and downwards, ending with the final part (Section 5) on the far right.

Arrows are used to ensure a logical, systematic flow of thought for both the writer and reader of the marketing plan. For example, it is felt that the marketer should not finally settle upon the consumer need and market segment to be satisfied until he has carefully analysed all the information available to him. Likewise, objectives will be much more realistic if they are set after analysis of the available data and the decision concerning which market segment to satisfy. The same reasoning applies to other sections as well, with the single exception of the arrow between Sections 3 and 2. This arrow is included to indicate that the aim of the marketing mix is to have an impact on the chosen market segment.

Section 1: Information Analysis

The accompanying MPFC sets out the type of information that should be included in this section if it is available. Obviously there will be few small companies which will have

the likelihood is certainly heightened.

Section 2: Consumer Benefit and Market Segment

The various data analysed in Section 1 are the inputs upon which the remainder of the marketing plan is based. As a synthesis of these inputs, the company is then in position to define the consumer benefit it plans to meet and the market segment wanting this benefit. This forms Section 2 of the MPFC.

There are two reasons for separating the statement of consumer benefit and market segment from the analysis section. First, the analysis of marketing is satisfying consumer needs at a profit. The benefits offered to the consumer

will have a significant bearing on whether or not the consumer needs are effectively satisfied. Second, the entire marketing programme and marketing mix must be carefully formulated so as to have a strong appeal to, and impact upon, the selected market segment. Both of these reasons suggest that the success or failure of the company's programme is largely dependent upon how well it defines the benefit it will offer, and who will be receptive to it. Given this crucial importance, it makes sense to highlight these two elements.

Elaborating further on the market segment component in Section 2 of the MPFC, note that two types of segmentation are referred to — that is,

attitudinal, psycho-graphic and demographic. The first is important because the size of the segment should be quantified in order to set realistic targets, but this may not be possible for small companies, due to financial limits on the amount of primary research that can be undertaken. For companies in that position, objectives should be set based upon a combination of secondary research (such as study of census data) and judgment.

Some of the objectives that can be included are mentioned in the MPFC, but the list certainly is not exhaustive.

The objectives that are set should be specific, etc. a definite time span, and be capable of subsequent measurement of actual performance.

Continued on p25

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From page 33.  
formance. For example, if consumer awareness is considered important to the company, a specific target should be set (for example, "by December 31, unprompted recall of our brand name should be 80 per cent of our market segment"). This can be measured via a relatively inexpensive survey conducted by an independent market research firm. Distribution targets can also be established, and performance inexpensively monitored by the company's own personnel — if only on the basis of a check of several retail outlets.

### Section 4: Marketing Strategy — Overall

This section contains a description of the overall methods by which the company plans both to satisfy the consumer's needs and achieve its objectives. It should incorporate only those statements that will affect or influence one or more elements of the marketing mix.

The MPFC mentions several possible strategy elements to illustrate the kinds of statements that are appropriate for this section. For example, the brand image desired for the product is a strategy statement under this definition because it will influence, or constrain, the company's decisions on the following mix elements: product; product name; pricing; distribution advertising theme; merchandising theme; packaging. Another example is whether a "push" or "pull" strategy — or a combination of the two — will be adopted, as this decision, among other

First, it offers a large proportion of the value of planning at a fraction of the time and cost. A draft of the MPFC can be completed within hours if the marketer has a fairly good grasp of the business before he starts. At the most, it will only take a few days. The MPFC disciplines the planner to boil down everything (data, strategy, marketing mix) to its essence, so that matters which are superfluous or of secondary importance do not consume valuable time. A more comprehensive and thorough treatment of all conceivable facts and actions may improve the results — but probably only by a slight margin and at a greatly increased cost.

Second, the MPFC highlights gaps in factual knowledge, and demonstrates the extent to which assumptions are relied upon. This in turn enables the company to set reasoned priorities for the substitution of facts for assumptions. The risk of making wrong decisions must surely decline as critical assumptions are replaced by facts.

Third, a handwritten draft serves as an excellent basis for discussion with those people whom the planner values for advice (such as advertising agency people). The planner gives a copy to each person, who then reviews the entire draft plan on one page, thereby encouraging a thoughtful review and permitting a much more effective critique. The planner and evaluators can then meet, affix a copy of the MPFC to a wall, and review the draft plan, commencing with Section 1 and working in sequence through to Section 5. The planner uses a felt marker to mark the sections or areas requiring additional input or modification, and at the end of the meeting, knows exactly what is required to develop a better (and if desired) more comprehensive plan.

Fourth, the MPFC doubles as an excellent and inexpensive tool for communicating the company's marketing programme to the sales force, sales agent, or distributor. The MPFC is an effective means of communication because a thorough, logical and systematic presentation can be made directly and quickly from the chart — or with a modified version assisted by overhead projection slides.

much more deeply into the numerous other — but much less important — features of the product.

### Uses and Benefits of the Marketing Plan Flow Chart

This approach to marketing planning offers several uses and benefits which are not afforded by the conventional, more sophisticated, approach.

First, it offers a large proportion of the value of planning at a fraction of the time and cost. A draft of the MPFC can be completed within hours if the marketer has a fairly good grasp of the business before he starts. At the most, it will only take a few days. The MPFC disciplines the planner to boil down everything (data, strategy, marketing mix) to its essence, so that matters which are superfluous or of secondary importance do not consume valuable time. A more comprehensive and thorough treatment of all conceivable facts and actions may improve the results — but probably only by a slight margin and at a greatly increased cost.

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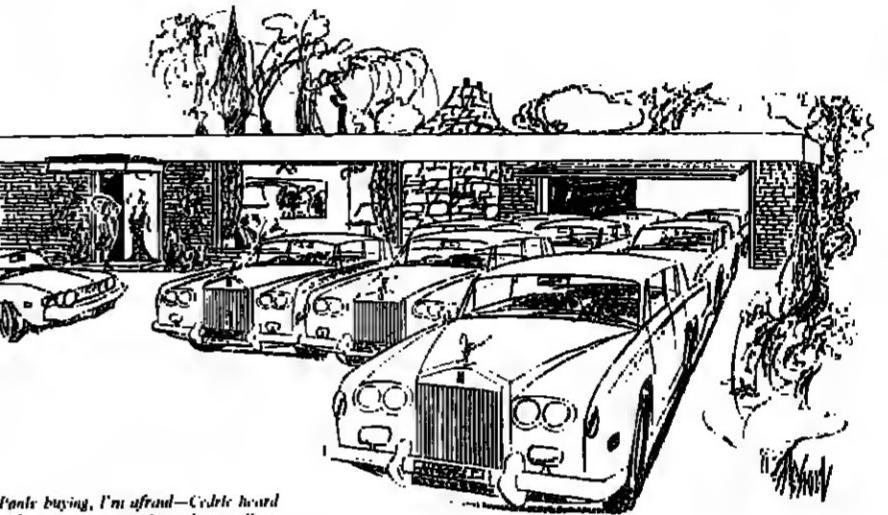
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Fifth, the MPFC is an effective tool for convincing a sales force or sales agent that your programme is "right". That is, it is a tremendous selling aid — if used properly. The presenter who "walks" the sales personnel systematically through the MPFC before exposing the product, its packaging, advertising, and so on, will usually have "pre-sold" the audience on these elements by the time each is unfolded, thereby preventing subjective — and often destructive — criticism from arising. Moreover, subjective criticism that still surfaces ("I don't like the package") can be effectively rebutted in most cases either by referring back to the relevant points in prior sections which prove the logic of the approach taken, or by showing that the criticism is inconsistent with previous points with which the objector has agreed.

Granted, this approach cannot guarantee to eliminate all subjective criticism of marketing tactics, but experience proves that it will substantially reduce them.

The Marketing Plan Flow Chart is not a revolutionary innovation in planning. It is a simple adaptation of accepted methods of planning to the particular needs of small companies which do not have the resources in either time, money or manpower to resort to more sophisticated planning techniques. It seems to yield much of the benefits of sophisticated planning without incurring the high costs normally associated with that approach. It offers the additional benefit of serving as an excellent and effective communication device — a further saving of time and money for small companies.



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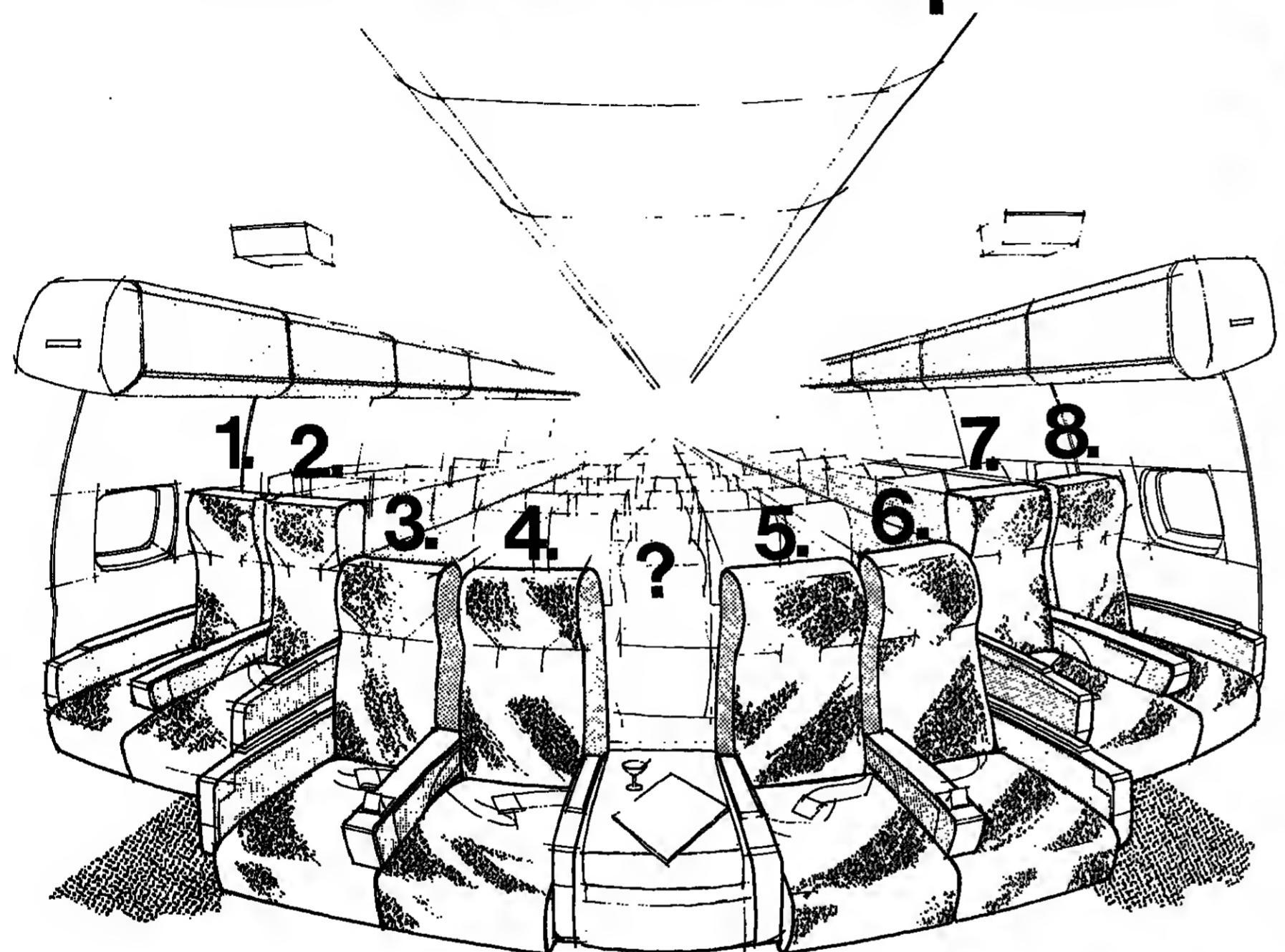
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# The American market: or how to sort out the myth and the mystery



MOST New Zealand exporters will look at the United States at some stage. It is a huge market. More than 200 million people spread over a large continent.

When approaching a market like the United States, most of what you hear is confusing. For example, people say that "all you need is .003 per cent of the market, and we'd have all five of our factories working 24 hours a day every day of the year, and even then we'd only supply about a tenth of it". And everyone has his favourite story about the ruthless and dedicated American buyer, demanding breakfast

**MARK SAINTSBURY**, manager of Mlesco Gas in Auckland, proposes marketing ideas for New Zealand products to the United States of America.

meetings at 6.30 in the morning. But American buyers are very conservative — if they have to be. Mistakes, if they are made, are too large.

The myths associated with this market are legend, the truths are rather harder to find.

One of the most important aspects of marketing in the United States is research. It is not a question of whether you carry out market research for your product in the United States, it is how much you do. Research, although expensive, can be used as a most effective selling tool. If you go to an American buyer and show your product, mention the pricing point, outline the manner in which you are going to distribute it and inform him of your promotional plans, he will be impressed, but sceptical. If you mention all those things, and then produce research to prove your findings, he will then be interested.

The American market can be segmented in minute detail, so most of your secondary research will be to find out which segment your product fits into. When that is established, your product can be positioned properly in the marketplace.

I believe that a research campaign carried out to assess

parallel product marketing has many advantages. This is where two or more companies get together to market similar types of products as part of one campaign — for example, tableware and glassware, involving Ceramco and AHI. There are also opportunities to combine with American companies to do parallel product marketing. This can give you access to a whole distribution network.

There is also the possibility of New Zealand companies getting together to form a New Zealand-type shop in the United States. This idea has been widely considered by a number of people, particularly in fields such as restaurants. But where I think that this

concept offers the most attractive rewards is in the shop-within-a-shop arrangement. In the United States, specialisation is catching on; it is no longer a tennis shop, it is now a tennis-shoe shop, and the more specialised you are, the better you do.

Finally, mail order. Mail

order has exciting possibilities in the United States because there is often an element of exclusivity about selling in this way which, combined with the cost of ordering and the excitement of getting something through the post, is an increasing method of marketing in the United States.

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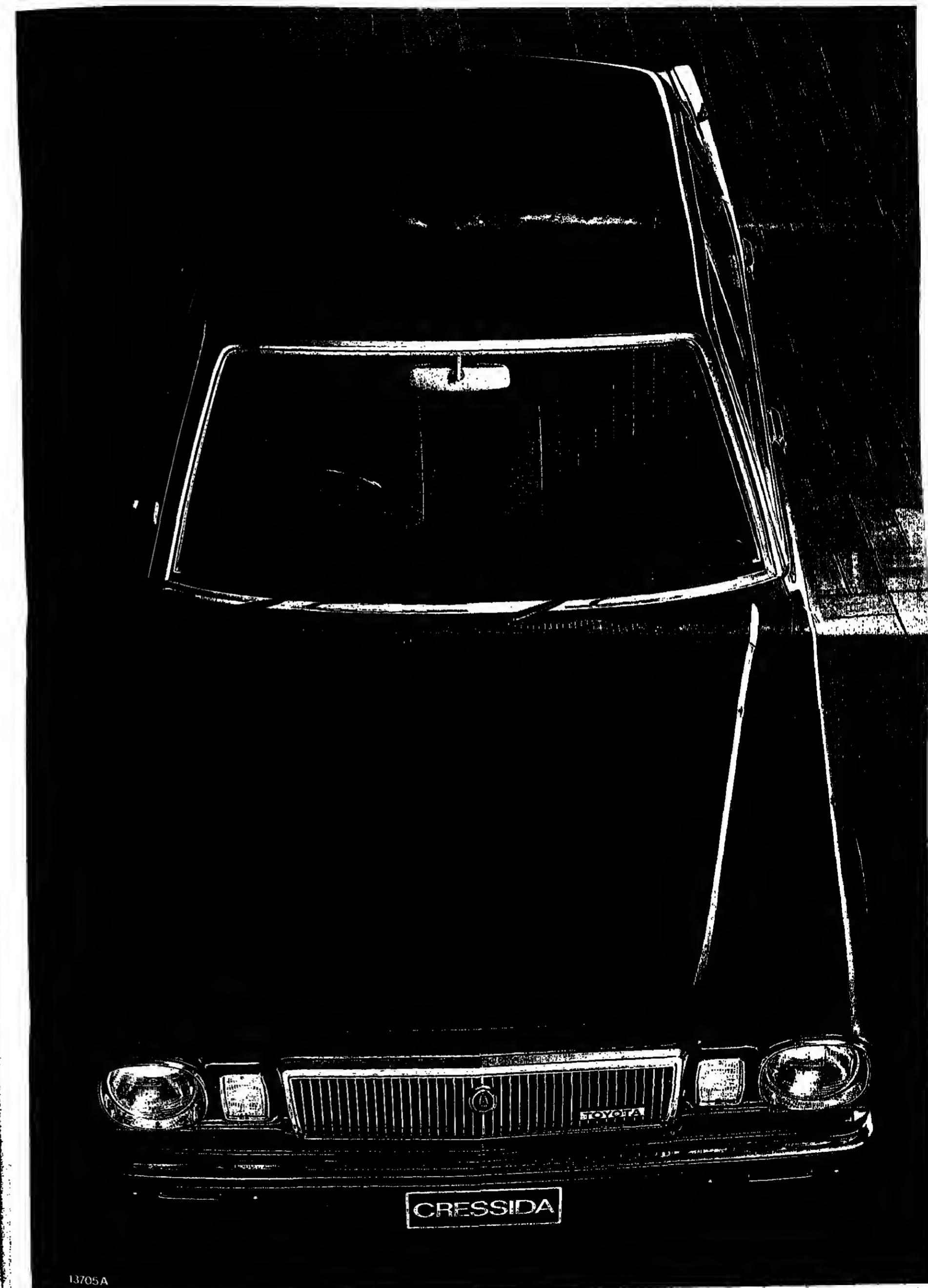
And because Toyota make the Cressida, all this luxury is on top of quality.

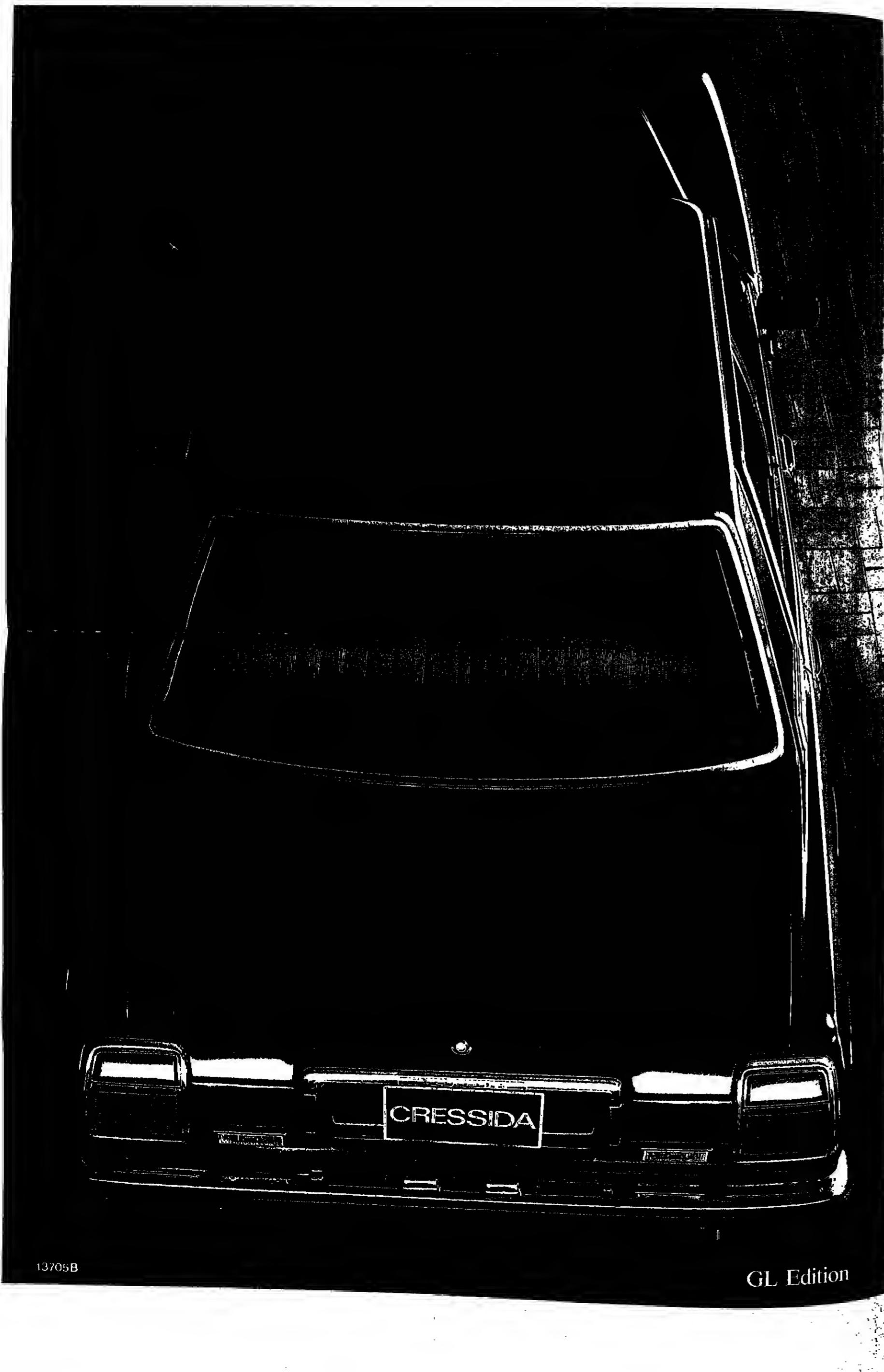
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# New Zealand's myopic view of the export world must change

**NEW ZEALAND** manufacturers and primary producers appear to willingly abdicate control of their product, which causes disastrous results — consumers receive poor quality goods, lack of after-sales service damages the firm's and our national reputation; greater returns are obtained along the distribution chain than at the point of production.

We give priority to converting products into cash at the earliest opportunity. We must correct our short-sighted view of the customer as the person or organisation with whom a cash exchange occurs. In a world of fast and relatively cheap communication, there is no excuse for this "one stage relationship". We must avoid isolation from the decision makers.

**MICHAEL MELLON** stresses the importance of identification of, and control of distribution to, the final users in overseas markets...

Control is an important skill of strategic marketing. With the change from a trading mentality to a marketing philosophy, we need to be familiar with the end user. And we must develop disciplined distribution in parallel.

**Putting Intermediaries into Perspective**

We traditionally recognise two classes of intermediaries, "agent" and "merchant" middlemen. The agent class can normally keep some control over because we retain title; our problems occur with the merchants who take title. On many occasions the manufacturer's strategy is subordinated or even contradicted by the merchant's objectives. The power of the merchant is derived from payment of cash in his role as "customer" rather than as the supplier of skilled services that facilitate products reaching users.

To counteract this power of the cash payer and to accentuate the positive role of the intermediary, I developed two guidelines for control in marketing management.

1. Irrespective of the number of parties involved in the flow of goods or service, the "principal" is that party whose brand appears on the goods and is recognised by the "user". Faulty, unbranded merchandise, particularly consumer goods, marked only with "Made in New Zealand", could tarnish our national (generic) image and reflect on other products, as previously occurred with cheap Oriental merchandise. For such unbranded merchandise with only a "Made in New Zealand" mark, the nation, through the Department of Trade and Industry, is the principal.

2. All intermediaries involved in the flow of the goods are either "contractors" to the principal or the user. "Contractor" implies a subordinate role, but it must not be interpreted as being a superfluous one. Specialisation in various fields such as forwarding, banking, negotiating and communicating are vital. These service organisations struggle to become the most effective in their fields and become principals of their particular skill or service which the export producer can contract.

In a strict legal sense, the owner of the goods becomes the principal, a role which merchants endeavour to secure, but the brand owner must make the transfer of official title conditional so that the presentation of the goods to the ultimate user accords with his marketing strategy.

## Identifying your Product Flow

Many elementary mistakes are made in assessment of future trends, based on the destination port only.

The Netherlands is frequently described as our fourth biggest wool customer because large volumes are consigned to Rotterdam. But Holland has only minimal facilities for processing wool, and the majority is re-exported. The Netherlands, therefore, is not the customer but the financing and warehousing contractor providing for New Zealand a temporarily useful service.

We want to know exactly what is happening in the crucial place of utilisation, as on depends future order levels. We do not know yet where much of New Zealand's wool, processed foods and lumber is being consumed; much of the available information originates from intermediaries who will naturally slant reports to suit their convenience. More contact with the end user is a crucial preliminary to better product development and control.

While one can assume with some products and markets that shipments are related to processing throughput, one cannot assume the same for consumption. It is only when we know the ultimate consumption rate that repeat business can be predicted.

Visit markets to investigate use and identify the key factors in determining your demand. You may well be surprised at how you are being used and who your competition is because life style and usage patterns may inject a new dimension of competition not previously envisaged. This may lead to unexpected items becoming a substitute and hence a competitor.

Having identified the potential range of substitutes and competitors, maintain data on them. Try to cultivate a battery of indicators so that your demand functions represent the reality of the market in full, rather than the limited scope of earlier work with so few variables.

Information about end use is vital for your product development and quality control. You will need to give intermediaries genuine assurances over their security to reach important users, and this involves building trust.

## Improvements in Control

Quality control standards must be higher than we have traditionally learned from Britain. Quality control staff must be separate from the production department; otherwise standards become compromised. Export marketing staff should link more closely with product development and quality control executives, as their support is vital.

Much executive time is wasted in New Zealand communicating over changing prices. Sound marketing



CARPETS... one product that is fully processed locally.

changes, in contrast to the common situation where we "take prices" set by "buyers". Marketers are analysts of information from every conceivable source. Prices are set to suit the desired product position with long-term market relationships as the dominant factor.

Export prices must be worked back from the positioned price, after allowing for all contractors' expenses and import duties.

To aid selection of markets and channels, the exporter must keep conversant with world political and economic events. Do not expect overseas markets to have the individual stability of your domestic market.

Often the selection of channels may be dictated by

traditional constraints or monopoly situations. As we are not traditional suppliers to our Pacific Basin neighbours, it may be necessary and sometimes advantageous to ignore the traditional number of levels, as being small we might be lost. It may just be right to aim for a small specialist market that can be reached with a low-cost, direct approach. Such unorthodox may require other special decisions. A good example is the Apple and Pear Board's warehousing in several overseas markets and using agents only for payment collection and promotion. In several markets, distributing wholesalers specialise only in warehousing, transportation and payment collection, and are unable to handle merchandising.

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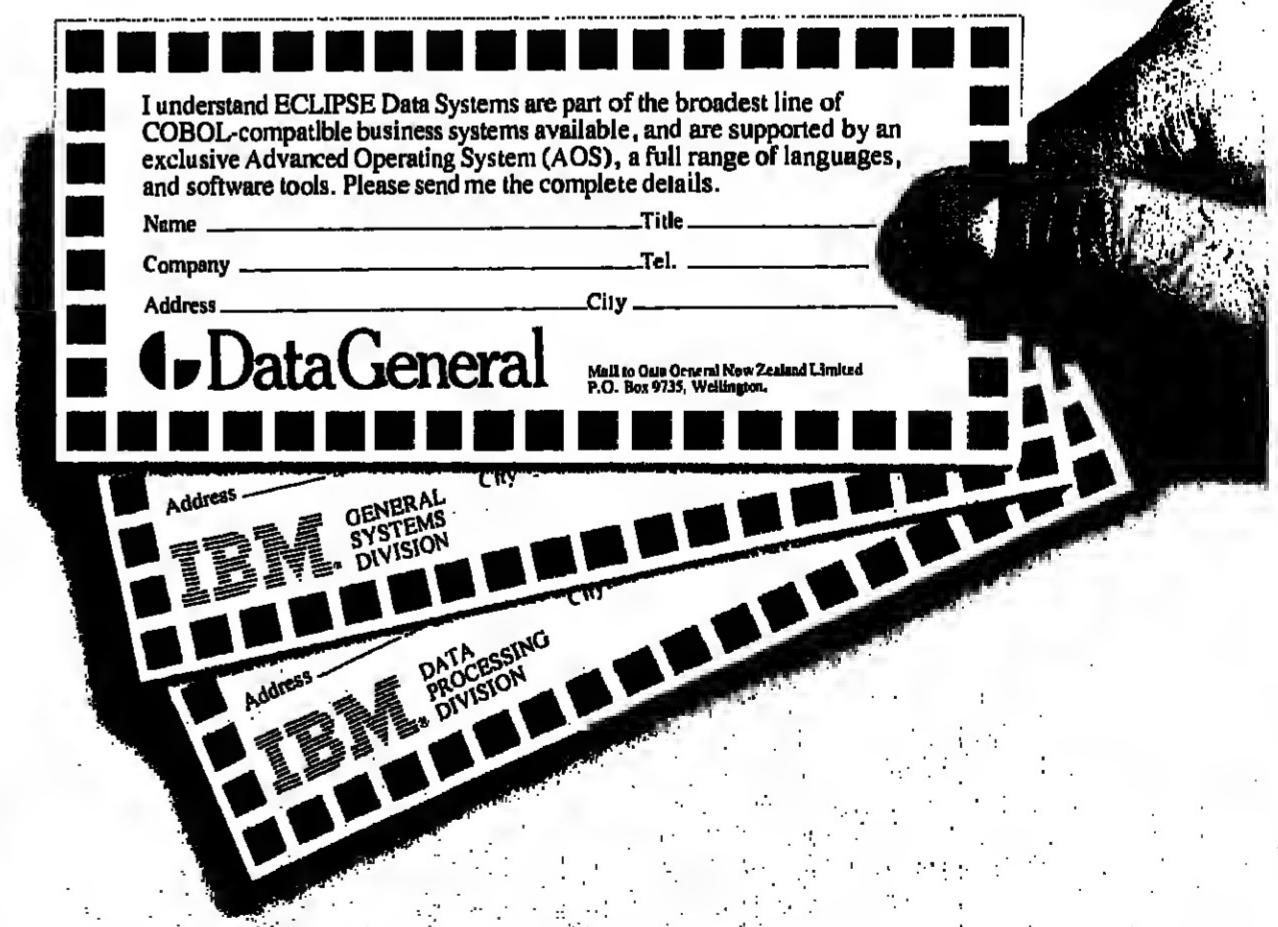
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## Wanted: a scheme for a national strategy to market NZ overseas

THERE is no nation set strategy for professionally marketing New Zealand overseas. Strategic marketing depends on integration of resources clearly directed to achieve objectives. It is not easy to direct a strategic national approach when some products are traded without consideration of quality, while other products readily subsidise control.

The organisations which service exporters, and which are foreign exchange earners in their own rights, will need to know the objectives of a national export strategy to ensure integration.

New Zealand has already made a good start to co-ordinate an interim export strategy through schemes such as Export Year and export awards. But these schemes create national awareness only within New Zealand.

Marketing is exchange. Consumer behaviour, particularly loyalty, is the crucial determinant for such ex-

change. Consumers think of national (generic) images ahead of brand names for many products such as Scotch whisky, French wine, Swiss watches, English cloth, and New Zealand lamb. This association between product and country is particularly strong in the new affluent nations like Japan and Germany. Countries can establish images that have beneficial associations with different categories of products. Our mountains, pastoral scenery, and the absence of pollution, are most advantageous attributes when marketing foods and other natural products.

Marketing cannot operate successfully by accident. It has to be strategically managed so that these images achieve the maximum benefit.

Just as a commercial firm utilises and protects its precious brand names so must we as a nation protect all times the name of New Zealand and other national symbols or logos that we might adopt.

My recommended objectives are:

1. To stimulate foreign exchange receipts.
2. To retain an independent identity for New Zealand.
3. To maximise the use of domestic resources both material and intangible.

With such a small country it should not be difficult to coordinate national export marketing activity, provided we adopt the well-established commercial procedure of setting objectives, formulating strategy, and then planning and implementing numerous activities to achieve the objectives.

We must create demand for New Zealand products and services abroad to offset the cost of imports and overseas service charges, while maintaining respect for New Zealand internationally, and so enabling New Zealanders to achieve their desires.

My recommended objectives are:

strategy when we incorporate the concepts of target markets, market entry, assessment of power, and timing. This strategy will need continual and methodical review as the environment changes.

### Product

The product mix must concentrate on the highest possible domestic content, as specified in Objective 3. The direction is clear: products where most value can be added, so enabling differentiation and long-term market security. Other considerations supporting further processing are reduction in bulk, utilisation of what might otherwise be waste materials, and high utilisation of the nation's large electricity surplus. For some markets, further processing imposes higher barriers but threat analysis will carefully analyse this.

To recognise the dynamic nature of the international environment is most efficiently done by a threat analysis. With the numerous threats identified, we can examine our resources and mobilise these in our marketing mix, to achieve objectives in the optimal manner. Next, we formulate

just stay with that. We need some kind of strategy for consistent presentation of New Zealand.

### Price

In the realm of marketing, there is one principle to establish: the currency of destination country. Selling in the currency of destination means the exporter does not have to bear the exchange risk for which would require an additional margin. Forward exchange cover is usually more expensive in other countries; we price in the currency of destination, we can quote better with that country's internal prices, which will improve returns over all above possible exchange gains.

Trading banks have improved their range and service for forward exchange rates.

The next improvement is to be initiated by the Reserve Bank; the narrowing of 1 per cent maximum spread between the Bank's Settlement for the four currencies outside New Zealand's "Favoured" which are: Australia 1.5 per cent; United Kingdom 0.5 per cent; Canada 0.2 per cent; United States of America 2 per cent.

The posted 2 per cent to spread for such areas, low risk currencies as Germany, Japan, Switzerland, Hong Kong and Singapore discourages skillful selling operators from using them. Trading banks are unwilling to negotiate finer rates for transactions of less than \$100,000, these posted rates discourage the thinking exporter from adopting a correct pricing strategy.

### Distribution

Marketing has two functions: protection and communication. The packaging industry appears to operate with initiative and conscientiousness, but exporters are unwilling to accept the luxuriant standards required in non-British markets. Special language or trademark requirements are too often viewed as obstacles, rather than being seen as a differential advantage in our "short run" environment.

"Pre-pricing" requirements of European chain stores should similarly be viewed as an advantage to New Zealand.

Consumers can be confused by too many brand names, and the use of a generic name such as "kiwi fruit" is desirable.

The quantity we export of many products is too small in relation to the market size that excessive use of brand names hinders our marketing effort and increases the cost of market entry. Rather than being invisible, an amalgamation of all New Zealand brands in certain fields might make us just promotionally viable. Not every product will suit this unified approach, in which case multi-brand strategies need to be co-ordinated so that one New Zealand brand does not cannibalise another New Zealand brand.

Brand establishment in some markets is costly and beyond the capabilities of smaller manufacturers. To overcome this problem, a national "umbrella brand" is required, a well-established technique in Denmark, Israel and China. The director of national marketing strategy would license firms to use the umbrella brand for specific markets, subject to minimum quality standards.

Brand establishment in some markets is costly and beyond the capabilities of smaller manufacturers. To overcome this problem, a national "umbrella brand" is required, a well-established technique in Denmark, Israel and China. The director of national marketing strategy would license firms to use the umbrella brand for specific markets, subject to minimum quality standards.

After selecting target countries by proximity, we must choose those with buying power and sophisticated consumers willing to purchase our growing range of high-class, horticultural and manufactured goods.

Promotion

The opportunities for promotional activities are numerous. Although we need to participate in specialist commercial trade fairs, creative designed generic events and the Expo 70 stand to effectively communicate the national image.

method to evaluate marketing performance. Our Trade Commissioners could be subjected to market share evaluation of key products. For example, in open markets like Hong Kong and Singapore these measures can be taken against Australia for butter and beef. Credit should also be recorded for new products developed.

In this Trade Strategy Division must be cultivated, a spirit of initiative and creativity; the more monotonous administrative duties of Trade Services Division I should be left to another type of executive who enjoys bureaucratic duties. The present organisation does not recognise the incompatibility of generic marketing with bureaucratic administration.

Promotional messages overseas must be devised by educated nationals of the overseas country to ensure fluency. Such promotional staff must be able to transmit the mood and nuances of New Zealand, and be capable of clearly distinguishing us from Australia.

Because of a lack of initiative by the Trade Services Division, other independent organisations have seen the need to provide additional services. This duplication is unsatisfactory when we have so few skilled people in this area. While the strategic marketing requirements of New Zealand Incorporated could probably be more effectively performed by a commercially motivated organisation, the problem of petty rivalries would inevitably occur.

Marketing depends on creativity. We are fortunate to have the National Film Unit and other promotion sections in the Tourist and Publicity Department who portray New Zealand well. In future, these production units would serve as the advertising agency for New Zealand Incorporated, to ensure that creative platforms were consistent with strategy. There should be no difficulty in maintaining a good "client-agency" relationship between the Trade Strategy Division and Tourist and Publicity.

### b) Personnel

Marketing ideally is not done by people seeking job security. Disposability of personnel who either run dry of ideas or suffer lapses in their enthusiasm for the product is a requirement which may be difficult for Trade and Industry to meet. Marketing is a harsh master, and job descriptions and goals are often tough. Personnel in this proposed Trade Strategy Division will need to recognise that job security will not occur without performance but many will welcome this change.



New Zealand's Kiwi Image abroad.

### c) Measurement of Performance

For all marketing activities, measurement is a requirement. Probably the current method of measuring a Trade Commissioner's performance is by the number of favourable and unfavourable letters and the punctuality of his monthly reports received in Wellington. Total gross trade with the country will also receive consideration when setting staff ceilings.

These are minor considerations in modern marketing. The key measure is market share, the only fair

Using this approach, and remembering that national marketing effort is an investment, all senior commercial staff now in London should be deployed to where the greater potential for development is expected. Just one pre-retirement person could be left in London to deal with "traditional trade enquiries". Marketers must expect to be mobile and ready to move to areas of potential.

### e) Services

Each country section head would be an expert on that country. He would continually update his data, and commission appropriate market research appropriate for New Zealand opportunities. This would eliminate the need of an individual firm to conduct its own, and prevent duplication of expenditure.

Weakly marketing information sessions would be conducted so that all intending commercial visitors could be briefed on the situation in that country before departure. Much more homework can be done in New Zealand before travelling abroad so as to save the high living costs in many of the growing markets.

The future survival of these other organisations will be a measure of the efficiency of the Trade Strategy Division of New Zealand Incorporated.

method to evaluate marketing performance. Our Trade Commissioners could be subjected to market share evaluation of key products. For example, in open markets like Hong Kong and Singapore these measures can be taken against Australia for butter and beef. Credit should also be recorded for new products developed.

### d) Refocation of Market Priorities

Markets are always changing and we need to respond more quickly. Too often our decisions to expand trade representation are based on history. This is circular thinking and implies that developed trade creates the need for a Trade Commissioner. Think the other way, and search for potential opportunities — in which case you can hope that the successful development is a result of your efforts.

## The Export Makers



Triglo Plastics Ltd, recipients of the Government's Export Pennant for achievement, now export in excess of \$1.25m annually. These exports are largely to Papua New Guinea and other Pacific Basin countries. The acquisition of sophisticated plant has enabled the company to broaden its export market horizons and will further assist in the construction of more advanced vessels to meet market requirements.



J.L. Primrose Ltd build and export steel-hulled commercial craft to Papua New Guinea and other Pacific Basin countries. The acquisition of sophisticated plant has enabled the company to broaden its export market horizons and will further assist in the construction of more advanced vessels to meet market requirements.



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With New Zealand's fine reputation in many fields — scenery, abundant food, lack of pollution, sport, warm friendly people — we should

raise our standards for passenger service. Although we need to participate in specialist commercial trade fairs, creative designed generic events and the Expo 70 stand to effectively communicate the national image.

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New Zealand.</

# Case study: Knight Tailors tell how they took the US market by the pelt

**KNIGHT TAILORS** originated from our family tailoring business. The tailoring business started in 1946 and Knights was established as a corporate identity in 1971. Our natural pelt garments are a seasonal product, and from the outset we knew we needed to export. We needed Northern Hemisphere markets to keep our staff and plant fully utilized all year round.

Our company policy was to establish home markets first. To some degree we used New Zealand as a testing ground, and with one or two problems ironed out in our home market we moved to Australia, and established our markets through commission agents.

Knights' next step was to look at some stable marketing prospects in the Northern

Hemisphere. At this stage, we needed a northern market to further company growth and continue development. We decided the best way to achieve our goal was to market in North America. We tried various methods to establish ourselves over a three-year period, servicing the United States by frequent trips, but decided that we needed to put our own marketing operation into North America.

A number of factors influenced our decision to establish our own operation. In the fashion industry, you have to keep abreast of fashion trends. You've got to have up-to-the-minute reliable information. For this information we needed to have our own personnel par-

manently attached to the marketplace. In addition, American retailers are not

**GRAHAM BOULT,** marketing manager of Knight Tailors Limited, Invercargill, explains how the company has established its own operation in the United States to sell quality natural pelt garments in a sophisticated market, and pinpoints pitfalls for companies wishing to set up their own overseas selling operations.

interested in importing. What they want is servicing, back-up stock facilities and credit facilities. Sold through an existing wholesaler, our gar-

ments would have been uncompetitive. Our only solution was to establish our own marketing operation.

First we had to decide on a location. Market research on earlier visits indicated the West Coast of the United States. We decided on Seattle partly because we already had a certain amount of established business in the area, but more so because it is one of the best distribution areas in the United States. It doesn't suffer from over-crowding and is easy to operate from. It also offers tax incentives.

Initially we went into a joint venture with United States partners, but quickly discovered two things which became important guidelines for making future decisions:

1) When it comes to consumer products, American businessmen are always looking for a quick return; 2) When the going gets rough, they look after self interest — they will always leave an escape route for any deals.

Then we had to find good reps, which is easier said than done. These guys work on commission; their only income is from what they sell, so why should they consider selling an unknown product manufactured by an unknown company? They can't be certain that your product will be up to sample standard, or even that you will deliver. And because you're pioneering a market, a lot more effort is required on their part. The best reps are not interested unless you are

prepared to offer them a big drawcard.

Some we had long discussions with were asking for \$2000 front money plus expenses to establish the product. We were buying them to establish ourselves and there was no way we could get that sort of money. We knew, however, that getting the right representatives was extremely important. Persistence and selling yourself — if they feel confident in you then maybe they will try the product.

Next we had to develop the right terms of trade.

Regardless of who you are or where you come from, your terms have got to be the same as similar to, or better than your competitors. The market situation in the States is quite

different from New Zealand. Debt collection, for instance, is a big headache. You are looking at a credit period of at least 45 days, which stretches to 90-120 days. After that, if you wait to collect on a non-paid debt from a client in another state, you must hire an attorney from the state in which that client is based.

Next, we had to obtain maximum product exposure. The medium we chose for garments was trade fairs, and we entered into a comprehensive programme. There are approximately 450 men's wear fairs and an equal number of women's in the course of a year. Out of these we had to select those of value and cover them adequately.

We found that joint stands were a waste of time. The name of the game is to get maximum exposure in minimum time, and co-operative displays are not conducive to this. Success at these shows had a lot to do with consistency of appearance. We didn't receive much response from our first fair. But when we did our third stand at the same show it started to become accepted that we had demonstrated that we were not a fly-by-night outfit.

Knight Tailors has now been operating in the United States for two years. In our Seattle office and warehouse we have two New Zealanders and three Americans. We are not only marketing our own company's goods, but also a line of foot wear produced by an Australian manufacturer. It is only now that our operation is beginning to function as we would like. We have established credibility and we are acknowledged as a merchandise resource by clothing retailers. But we are still soft scratching the surface of the market. It will take another three years of steady and determined work and planning before our ultimate aims are fulfilled.

The United States market should never be looked on as a short term. Any company wishing to establish itself there is looking at tremendous capital and expenditure. The United States can be approached only on a long-term basis. Companies should aim to write off development costs over at least five years.

The following points are vital in establishing a successful venture in the United States:

1. Research your market. Obtain as much information as you can in New Zealand, then throw away your copy book and go on a plane now at trade fairs. Find out how they operate — how they buy, when they buy, contact reps, look at pieces of merchandise — study the trends.

look at the product; look at how your competitor's merchandise; look at why consumers buy the product.

2. Locate and consult a good attorney. When you have found him, how do you know if he's any good? Check with his clients — he won't be upset; he expects you to. Don't be afraid of his charges — if he's good it will be money well spent.

3. Work out a long-term marketing plan. You might say that's just normal marketing but in the United States that plan will encompass more facets of marketing, take longer to implement, and cost far more than you originally envisage.

4. Decide which method of financing you are going to use within your marketplace.

From your market research you will know how your competitors operate. Study their methods. You will also know what credit period you have to give — add another 50 per cent to that length of time. You will have to make use of every tax incentive available — study them, and put them to good use.

5. Research the best location for your operation. Ease of distribution is the most important point. You may find it preferable to have your warehouse at one location and your sales office at a merchandise mart where you will get ease of access to buyers and better exposure.

6. Make sure you have the right blend of New Zealand and American staff. You need New Zealand personnel — it helps credibility. They can report in terms you understand and they understand your production problems and capabilities. Listen to what they say as they

are the people in the marketplace. You also need American personnel — look for someone who has retired from

marketing in your field; he

will know the pitfalls. This type of person is easier to find than you may think —

takeovers are frequent in the

United States and redundancy

in the over 45 age group is high.



PROCESSING PELTS

dressing up for the US market.



7. Cost your product on the basis of maximum runs over minimum range. This has got to mean a loss initially, but this method, coupled with tax incentives, is the only way most New Zealand products will be competitive in the American marketplace.

8. Aim for the best exposure for the product. I consider trade fairs the best medium, but your display must be professional. Catalogues, mailing sheets, trade advertising and press releases are important too.

9. Understand your customer. Put yourself in his place — then decide if you will buy your product.

10. Forget about looking for short-term profits. A hard thing to convince any board of — my recommendation is that if you are looking for short-term profits don't go to America.



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